

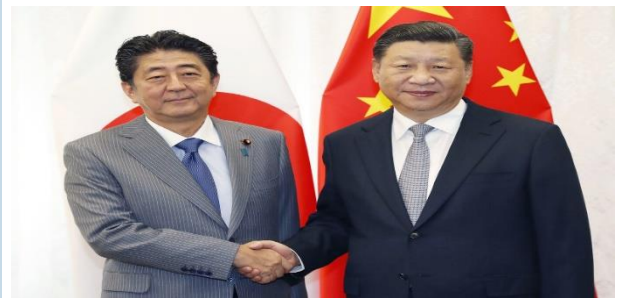


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ABOUT US

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

DPG China Monitor

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

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(Photographs top to bottom)

Chinese President Xi Jinping says that rising trend of unilateralism and protectionism is forcing China to become more self-reliant, Source: China Daily,

<http://www.chinadaily.com.cn/a/201809/29/WS5bae834ca310eff3032801fb.html>

Japanese Prime Minister Shinzo Abe and Chinese President Xi Jinping say Japan-China ties 'on right track' at the Vladivostok Forum, Russia, on Sept. 12, 2018. Source: Mainichi,

<https://mainichi.jp/english/articles/20180912/p2a/00m/0na/009000c>

Soldiers from the People's Liberation Army's Northern Theater Command participate in Russia's largest Military Exercise since the Cold War, "Vostok-2018". Source: China Daily,

<http://usa.chinadaily.com.cn/a/201809/12/WS5b9869cea31033b4f4655862.html>

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Abstract

Through the month of September 2018, the dominant narrative in Chinese strategic circles was about how to address “恐美” (Kong Mei) or America-phobia that is increasingly gripping Chinese society due to the progressive intensification of the US-China trade war and its negative effect spilling over to other major areas of relations. To apprise the global community of China’s “high moral ground” in the ongoing trade war, China issued a 71-page White Paper in different foreign languages. China’s top leadership also divulged important cues about the future course of the Chinese economy in the so-called era of protectionism, which envisage: i) China will ensure that the Chinese people’s rice bowl is firmly in their own hands; ii) China will stick to the path of self reliance; and iii) SOEs will continue to dominate the economic scene in China in spite of all the talk of reform and opening up.

In the arena of international affairs, the Chinese strategic community is upbeat about China and Russia overcoming their mutual distrust and contemplating cooperation in the Russian Far East. They further hope to eventually “Koreanize” (韩国化, hanguo hua) Japan, teach Africa “how to get rich” and warn Taiwan that “peaceful reunification may not be the only option for the Taiwan reunification process”. With India, there was reference to many positive developments like the opening up of Chinese markets for Indian agricultural products and the conclusion of the 12th meeting of the China-India Consultation and Coordination Mechanism on border affairs in Chengdu. However, China kept a close eye on the India-US 2+2 Ministerial Dialogue and expressed its disquiet over the banning of Huawei in conducting 5G technology trials in India.

1. Foreign and Security Policy

China-US Relations

This month saw further escalation of the US-China trade war. On September 18, the US government announced imposition of tariffs on imports of about 200 billion U.S. dollars from China. From September 24, the tariff rate was increased to 10%, which will further climb up to 25 % from January 1 next year. If this arrangement does not work, the US has threatened to impose high tariffs on the balance \$267 billion worth of Chinese goods. As a counter-measure, the Chinese government immediately announced a 5% or 10% tariff on approximately US\$60 billion worth of goods originating in the United States; this has been implemented on September 24.

Given the intensification of the trade war, there has been much discussion in Chinese [media](#) about “恐美” (kong mei) or America-phobia that has gripped the Chinese society¹. Chinese anxieties can be classified into three kinds. First is concern about impending economic distress caused by decline in exports, rising inflation, a group of enterprises going bankrupt, and shrinking wealth. The second is apprehension about possible disorder. The economic pressure, they fear, may affect social stability, cause the overall security situation to deteriorate, and even lead to separatist forces raising their head. The third is fear of defeat. Many in China are worried that China's rise will be more forcefully prevented from now on, which will eventually lead to a decline of national economy and social vitality.

A China Daily [commentary](#) further highlights that the pace at which hostilities between the two countries are increasingly moving beyond trade and spilling over to other aspects of bilateral ties is the real cause of concern for China². The United States, they say, seems to be adamant about testing China's bottom line on issues of trade, Taiwan and the DPRK nuclear issue etc.

Chinese commentators believe that the United States is rewriting the terms of Sino-US relations that the Chinese side has been familiar with so far. They [argue](#) that in the current Sino-US trade war, the trade deficit is just an excuse. The US has a “profound and diversified” political, security, and strategic motive

¹‘中国人该以何心态应对美国挑战’, *Huanqiu Shibao*, September 17, 2018, <http://opinion.huanqiu.com/hqpl/2018-09/13035753.html>

²‘US ruining ‘big picture’ of bilateral relations’, *China Daily*, September 24, 2018, <http://www.chinadaily.com.cn/a/201809/24/WS5ba8e3f3a310c4cc775e7c9f.html>

behind initiating the trade war.³ They say that the main purpose of this trade war is to force China to change its economic system and to ensure American primacy at the cost of Chinese economy. The US objective, they [say](#), is to push China out of the global value chain and industrial chain, isolate it and then destroy its economy through arms races and other means.⁴

As a result, the Chinese press is flooded with commentaries proclaiming “China will not become another Soviet Union”, “[the \\$200 billion trade blackmail will not be able to deter China from its path to development](#)”⁵. “[China will not take the old road of the rise and fall of the nation-state](#)”⁶, “China has much stronger economic defense and self-sustaining power than Russia and Iran.”

Meanwhile, at the peak of the trade friction, reports emerged of the Trump administration inviting Beijing to hold a new round of trade negotiations, which reportedly was turned down by Beijing. According to the Chinese analysis there are three main reasons behind Washington’s new move. First, the trade war with China has had a negative impact on the US economy. The continuous growth of the US trade deficit in July and August has made the White House realise that the trade war is no solution to the rising US trade deficit. Second, mid-term elections in the US are approaching. If a new agreement with China can be achieved, it will be a major positive for the Republican Party. If not, the White House will be able to comfort US voters who are particularly affected by the negative aspects of the trade war that it did its best to mend ties with China. Third, American public opinion is not in support of the President’s policies. China’s firm stance has emboldened the opposition and therefore the White House is retreating.

The Chinese side [argued](#) that it is not the right time for China and the US to reach an agreement.⁷ Negotiations, they [said](#), can’t proceed with a knife at the

³‘贸易战挡不住中国融入世界经济新征程’, *Huanqiushibao*, September 27, 2018, <http://opinion.huanqiu.com/hqpl/2018-09/13118890.html>

⁴‘外部敌意增多·对外开放更需心理强’, *Huanqiushibao*, September 19, 2018, <http://opinion.huanqiu.com/editorial/2018-09/13064484.html>

⁵‘2000亿美元贸易讹诈压不垮中国’, *Huanqiushibao*, September 18, 2018, <http://opinion.huanqiu.com/editorial/2018-09/13054421.html>

⁶‘中国不会走民族国兴衰的老路’, *Huanqiushibao*, September 28, 2018, <http://opinion.huanqiu.com/hqpl/2018-09/13128137.html>

⁷‘中美谈判是好事·但中方无需急于求’, *Huanqiushibao*, September 13, 2018, <http://opinion.huanqiu.com/editorial/2018-09/13008577.html>

other's neck. To make negotiations effective, the US and China need to treat each other equally and with respect before all else.⁸

As a solution to the ongoing crisis, Chinese strategists suggested that China needs to i) rely on the country's commitment to reform and opening up; ii) fully integrate China into the world economy; iii) move towards the "non-US market"; iv) win more overseas business opportunities for China while strengthening and expanding the international competitiveness of Chinese technology, industry and brands; and v) further develop economic and trade ties between China and neighbouring countries by reducing tariffs, promoting trade facilitation and opening up the Chinese market to neighbouring countries. They argued that as long as China implements the world's most competitive corporate tax, continues to have the most competitive quality of workers and wages, the best market conditions and a creative business environment, China does not have to fear US tariffs.

Meanwhile, China will continue to convince the US in words and deed that China does not want to replace the United States as a superpower. It does not want to use the Chinese model to transform the Western world, neither does it want to drive the United States out of Asia⁹.

China-Russia



Soldiers from the People's Liberation Army's Northern Theater Command participate in Russia's largest Military Exercise since the Cold War, "Vostok-2018".

Source: China Daily,

<http://usa.chinadaily.com.cn/a/201809/12/WS5b9869cea31033b4f4655862.html>

⁸ '贸易战升级·中方对这三个最敏感问题的回答', 意味深长', *PLA Daily*, September 26, 2018, http://www.81.cn/jwgz/2018-09/26/content_9298787.htm

⁹ '美国冲动时·中国的定力将影响未来', *Huanqiu Shibao*, September 25, 2018, <http://opinion.huanqiu.com/editorial/2018-09/13101530.html>

This month saw [two important developments](#) in China-Russia relations. First, President Xi Jinping made his first ever visit to Vladivostok to attend the 4th Eastern Economic Forum. Second, on the same day, the largest military exercise in Russia, “Vostok-2018”, began in the Far East, in which the Chinese People's Liberation Army sent more than 3,000 soldiers, some 900 pieces of weaponry and equipments and more than 30 helicopters and fixed-wing aircraft to participate.¹⁰

That the drill coincided with the Vladivostok Forum has prompted speculation across the globe over its nature and purpose. Are pressures from Washington driving Beijing and Moscow into a military alliance? What is the message the two intended to convey? Will there be a new Cold War?

Chinese strategists say these speculations are “baseless”. Although the US policies towards China and Russia have indeed provided an impetus for possible rapprochement between the two countries, China-Russia relations are important on their own terms. It is rather naive to regard China-Russia Comprehensive Strategic Cooperation as a derivative of the US policy towards the two countries. China and Russia are both big countries and their combined strategic strength plays a key role in the global strategic balance.



Chinese President Xi Jinping holds talks with Russian President Vladimir Putin at the sidelines of the 4th Eastern Economic Forum in Vladivostok, Russia, Sept. 11, 2018.

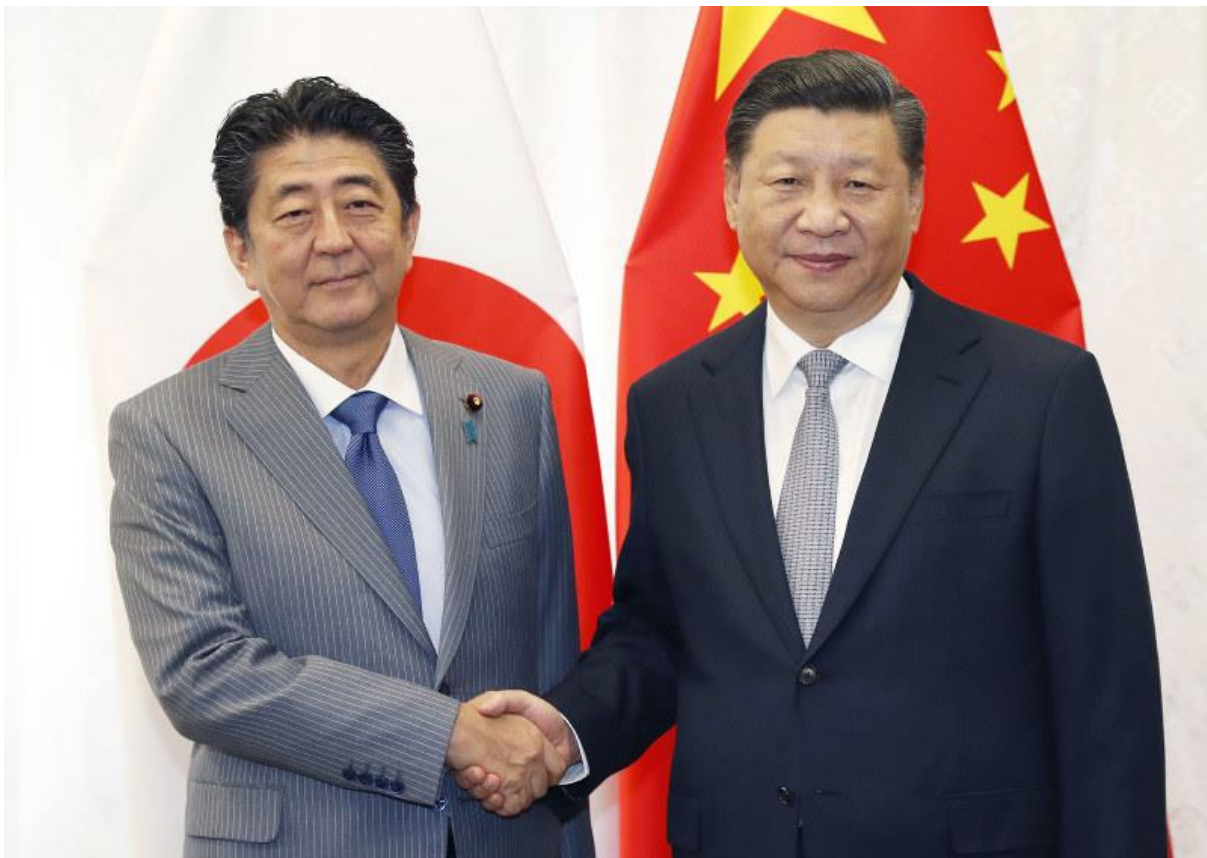
Source: Xinhua, http://www.xinhuanet.com/english/2018-09/12/c_137461429.htm

¹⁰ ‘远东渐成中俄战略合作的成熟支点’, *Huanqiu Shibao*, September 11, 2018, <http://opinion.huanqiu.com/editorial/2018-09/12988651.html>

The Vladivostok Forum, as per Chinese commentators, will enable information sharing and consensus building between the two countries on matters of global relevance as well as building a new platform to anchor and integrate many of Northeast Asia's development agendas. It is also symbolic of a positive trend of enhanced mutual trust between China and Russia in the Far East, which is important, given the historical memory of the two countries and the disparity in population density between the Russian Far East and Northeast China.

The Chinese side is particularly positive about the prospects of Northeast Asia cooperation, given the ongoing positive momentum in North-South Korea relations, Sino-Japanese relations, China-ROK relations and Sino-Russian relations. China is exploring the idea of a Northeast Asia Economic Circle with a vision to make it the third largest economic zone in the world¹¹.

China-Japan



Japanese Prime Minister Shinzo Abe and Chinese President Xi Jinping say Japan-China ties 'on right track' at the Vladivostok Forum, Russia, on Sept. 12, 2018. Source: Mainichi, <https://mainichi.jp/english/articles/20180912/p2a/00m/0na/009000c>

¹¹ '东北亚合力开启区域合作倒计时', *Huanqiu Shibao*, September 21, 2018, <http://opinion.huanqiu.com/hqpl/2018-09/13074213.html>

China-Japan relationship has warmed up in recent times. September saw many high-profile exchanges between the two countries. The latest was Chinese President Xi Jinping meeting Japanese Prime Minister Shinzo Abe in Vladivostok on September 12, where both sides affirmed that Sino-Japanese relations are re-entering the “normal track”. Later on it was reported that Abe will officially visit China at the 40th anniversary of the China-Japan Peace and Friendship Treaty in October. This will be the first visit of the Japanese Prime Minister to China in seven years.

On the other hand, Japan’s investment in China has reportedly¹² been US\$3.27 billion in 2017, an increase of 5.1% year-on-year, reversing the downward trend for four consecutive years. At the same time, Sino-Japanese import and export trade totalled US\$302.98 billion, up 10.1% year-on-year. The two countries are now considering cooperation on infrastructure development in [third countries](#) like Thailand¹³.

It is generally [believed](#) in China that the recent rebound in Sino-Japanese relations is a fallout of the Trump administration’s ‘America First’ policy. If China is reeling under the trade war initiated by the United States, Japan has also lost confidence in the US commitment to its allies. As a result, China-Japan relationship is warming up not only to compensate for the losses caused by the decline of their respective relations with the United States, but also to jointly exert pressure on Washington¹⁴.

Although the overall relationship has improved in recent times, China was unhappy about the Japanese Maritime Self-Defence Forces dispatching submarines for anti-submarine exercises in the South China Sea. Therefore, some Chinese strategists [predict](#) that although there are many positive trends in Sino-Japan relationship at the moment, the future trajectory of ties will continue to remain complicated¹⁵.

However, as China grows stronger, its ability to shape Sino-Japanese relations will increase. Chinese strategists therefore look forward to “[Koreanizing](#)” (韩国

¹² 中日海权矛盾新特征：南海分量将超越东海, *Toutiao*, September 22, 2018, <http://toutiao.yzwb.net/a/180922171554255-2.html>

¹³ 海外建高铁·中日能合作吗, *Huanqiushibao*, September 18, 201, <http://opinion.huanqiu.com/hqpl/2018-09/13045113.html>

¹⁴ 中日关系的内在动能应大于外部干, *Huanqiushibao*, September 13, 2018, <http://opinion.huanqiu.com/editorial/2018-09/13001597.html>

¹⁵ 华丽转身·安倍从中国对手变为友人, *Huanqiushibao*, September 20, 2018, <http://opinion.huanqiu.com/editorial/2018-09/13072886.html>

化, hanguo hua) Japan's attitude toward China.¹⁶ South Korea, they say, is also an ally of the United States, but its policy toward China is far less extreme than that of Japan. Therefore, the task is to convince Japan that its best interests lie in balancing China and the United States.

China-India

From September 27th to 28th, the 12th meeting of the China-India Consultation and Coordination Mechanism on border affairs was held in Chengdu. The Chinese media [mentions](#) that during the meeting the two sides agreed to implement the spirit of consensus among the leaders of the two countries, further strengthen communication and coordination between their diplomatic and defence departments, properly manage and control border-related issues, enhance border exchanges and cooperation, and jointly safeguard peace and tranquillity in border areas.¹⁷

Other than this, [reports](#) appeared in the Chinese press highlighting how the ongoing Sino-US trade dispute can open up Chinese markets for Indian agricultural products, which will also help to address the trade imbalance between the two countries¹⁸. But Chinese experts believe that India can't entirely replace the US as a source of agricultural goods and China still needs to look for other partners amid the trade friction.

On the other hand, China kept a close eye on the "2+2" ministerial dialogue between the United States and India. The Chinese side is concerned that US - India relationship is being continuously strengthened and gradually approaching the level that the United States shares with its regional allies like Japan and Australia. The Logistics Support Agreement, COMCASA, and Basic Exchange and Cooperation Agreement for Geo-spatial Cooperation are the three basic agreements that the US enters into while forming military alliances with other countries. Now only the third is left to be signed. Further, with the establishment of the 2+2 dialogue between US and India and an expected upgradation of strategic cooperation mechanisms between Japan-India and Australia-India, China fears that formation of a quadrilateral is not far away.

¹⁶ '中日结束相互消耗·两国都将得分', *Huanqiu Shibao*, September 2, 2018, <http://opinion.huanqiu.com/editorial/2018-09/12905389.html>

¹⁷ '中印边境事务磋商和协调工作机制会议在成都举行', *PLA Daily*, September 29, 2018, http://www.81.cn/jwgz/2018-09/29/content_9301557.htm

¹⁸ 'India could fill gap in agricultural imports amid China-US trade war', *Global Times*, September 25, 2018, <http://www.globaltimes.cn/content/1120927.shtml>

They further argue that India is playing games to maximize its benefits from all sides: US, China and Russia. The recent warming up of ties between China and India, they say, is a tactical adjustment rather than a strategic move. The idea is to win diplomatic manoeuvring room and seek concessions from the US on a series of issues in the India-US relationship.¹⁹

The Chinese strategic community is also upset about Department of Telecommunications (DoT) barring Huawei Technologies and ZTE Corp working with local companies in 5G technology based trials due to "security" concerns. They [argue](#) that the move is aimed at pleasing the US and will negatively affect Chinese investments in India²⁰.

China-South Asia



Nepal and China concluded the protocol of Nepal-China Transit Transport Agreement (TTA) at the third bilateral consultative meeting on Sept. 4-6 in Kathmandu, Source: *The Himalayan Times*, <https://thehimalayantimes.com/business/nepal-allowed-to-use-chinese-sea-land-ports/>

The key developments in China-South Asia relations this month were i) Nepal's troops taking part in a joint military drill in China and China granting Nepal access to seven Chinese trading ports; ii) the ruling party which is believed to be particularly friendly to India failing in Bhutan's first round of polls in the general election. While talking about India's discomfort about the above

¹⁹'如何看待美印2+2', *SIIS*, September 11, 2018, <http://www.siis.org.cn/Research/Info/4599>

²⁰'India's ban on Huawei, ZTE to 'please US' will be opposed by local telecoms operators: experts', *Global Times*, September 16, 2018, <http://www.globaltimes.cn/content/1119745.shtml>

developments in South Asia, Chinese intellectuals argue India is neither in a position to dictate other countries' diplomatic preferences, nor can it blame its own "diplomatic failure" on Beijing. A China Daily [editorial](#) asks if other countries need India's consent to interact with Beijing or take part in its flagship Belt and Road initiative.²¹

Meanwhile, China reached out to the new government in Islamabad with China's Foreign Minister Wang Yi's delegation-level visit to Pakistan on September 12. However, the visit courted controversy when reports emerged in international media quoting Pakistani officials showing concern over the prospects of the multi-billion dollar China-Pakistan Economic Corridor (CPEC).²²

China denied the authenticity of reports appearing in the international media claiming that the new Pakistani government has decided to re-evaluate CPEC and renegotiate its terms. The CPEC, the Chinese side reiterated, is the economic future of Pakistan, and it will not compromise the country's national security or interests. Rather, it is increasing Pakistan's economic growth by 1 to 2 percentage points a year, and creating tens of thousands of jobs for the local people.

While [commenting](#) on Pakistan's new government setting up a nine-member committee to re-evaluate the CPEC, Chinese commentators argued that it is not to renegotiate the terms but to help strengthen and expedite the construction of the corridor and provide more benefits for the people in Pakistan.²³ They further denied China's role in Pakistan's debt problem. Foreign Minister Wang Yi, who recently visited Pakistan, [said](#) that 47 percent of Pakistan's debt comes from multilateral financial institutions and among the 22 projects of the CPEC, 18 are directly invested in or aided by China, while only four are financed with China's concessional loans.²⁴ Chinese strategists further added that the debt problem Pakistan confronts are inevitable in the process of industrialization. But the solution lies in more industrialization rather than retreating from it.

Other than this, the Maldivian presidential election, the appointment of Ibrahim Mohamed Solih and the future of Chinese investments in the country

²¹ 'Speculation and suspicion certainly not diplomacy', *China Daily*, September 20, 2018, <http://www.chinadaily.com.cn/a/201809/20/WS5ba3a216a310c4cc775e7608.html>

²² 'Chinese FM's Pakistan trip cements relations', *Global Times*, September 16, 2018, <http://www.globaltimes.cn/content/1119788.shtml>

²³ 'Is an evil design at play to malign the CPEC?' *China Daily*, September 9, 2018, <http://www.chinadaily.com.cn/a/201809/12/WS5b99af35a31033b4f4655bc0.html>

²⁴ 'Pakistan must boost industrialization to solve problems', *Global Times*, September 10, 2018, <http://www.globaltimes.cn/content/1119096.shtml>

were much discussed in the Chinese media this month. The Chinese side believes that Solih's win doesn't necessarily mean that he is bound to launch unilateral and pro-India policies. On the contrary, they warn Maldives that completely swinging to India will not guarantee New Delhi making as much contribution to Maldives' development as Malé expects, as has been the case with Sri Lanka's Port of Hambantota. The Chinese side therefore [urged](#) the Solih government to launch balanced policies that serve the national interest and reduce the turmoil in the country²⁵.

China-Australia and Pacific Island Nations

Days after Australia banned Huawei from participating in construction of the 5G network in Australia on the grounds of safeguarding national security, China, in a retaliatory move, has banned Australian Broadcasting Corporation (ABC) from functioning in the Mainland. The reason provided is that western countries often use their media to promote free speech and foment unrest in Chinese society.

The Chinese strategic community wonders why Australia, even after being economically so dependent on China and also not having any direct conflict of interest, is always at the forefront of the anti-China camp. Chinese strategists do not think that Prime Minister Morrison will bring substantial changes to Australia's China policy. An article in Huanqishibao argues that although improved Sino-Australian relations are much appreciated, "it does not matter" to China if relations do not improve. It [advocates](#) that China teaches a harsh lesson to Canberra²⁶. Nevertheless, amidst rising tension on both sides, the Australian Army and the Chinese People's Liberation Army conducted a joint exercise Pandaroo 2018 from September 17 to 28, 2018 to promote mutual understanding and trust between the two armed forces.

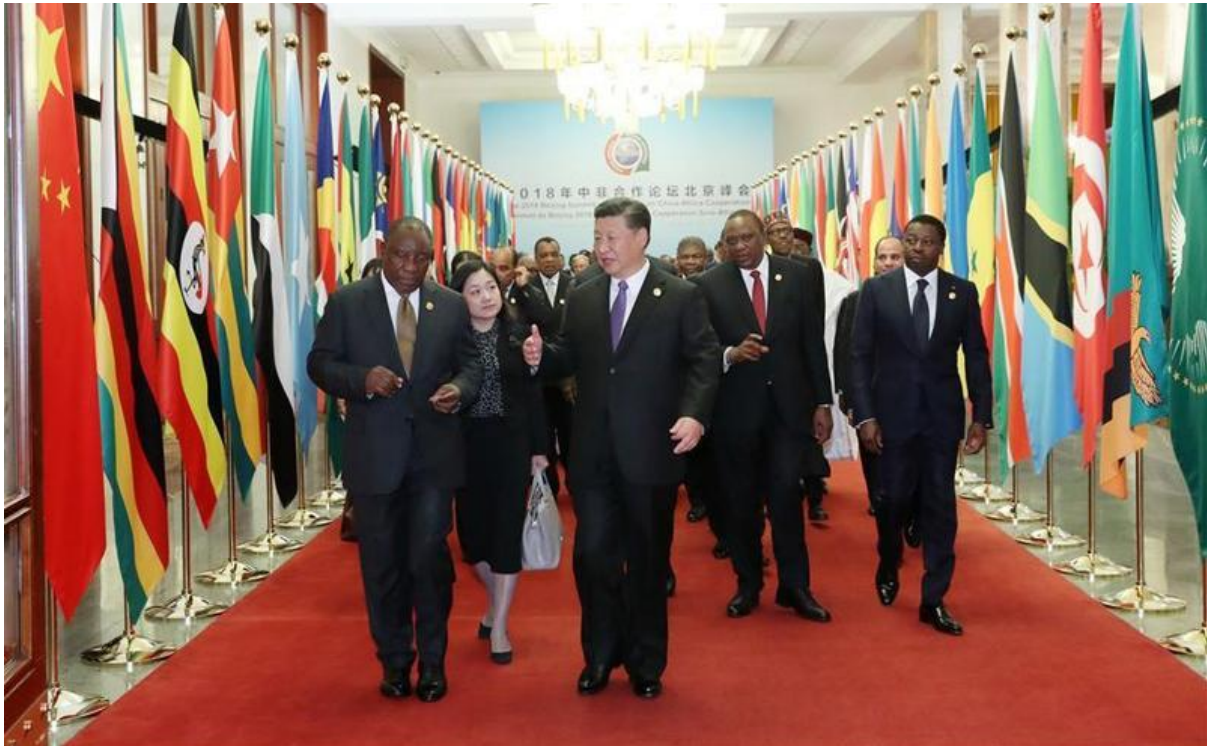
On the other hand, after the Pacific Island Forum fiasco where the Chinese delegation was refused an official visa and was not allowed to speak, China's relations with Pacific Island countries occupied much space in the [Chinese media](#). Chinese scholars argued that there are many reasons why former colonial powers are reluctant to see China's increasing presence in the region, while themselves striving to restore their ties with these small island countries. First, the Pacific Islands region is vast and rich in resources, and has always been coveted by the imperialist powers. Second, with a total of 14 island

²⁵ 'Maldives will prioritize own interest, not India's', *Global Times*, September 7, 2018, <http://www.globaltimes.cn/content/1121197.shtml>

²⁶ '中澳关系改善则好·不改善也无所', *Huanqishibao*, September 4, 2018, <http://opinion.huanqiu.com/editorial/2018-09/12925657.html>

countries, it is an important political force in international organizations. Third, the region has important military and strategic value and occupies a strategic space that the Western powers have been trying to control. Finally, there are still countries in the region that have diplomatic ties with Taiwan. It is feared that China's presence in the region will further isolate Taiwan and thereby take away the Taiwan-independence bargaining chip from the Western powers.²⁷

China-Africa



Chinese President Xi Jinping with African leaders at the Beijing Summit of the Forum on China-Africa Cooperation (FOCAC) in Beijing, Sept 3, 2018. China Daily, <https://www.chinadailyhk.com/articles/172/160/27/1536245722828.html>

The Beijing Summit of the Forum of China-Africa Cooperation was held on September 03, where the Chinese side welcomed the golden age of China-Africa relations²⁸ with a [declaration and an action plan](#)²⁹. Three years ago Xi had pledged \$60 billion to Africa at the FOCAC summit in South Africa. This

²⁷ '南太成为“香饽饽”的背后', *Huanqiu Shibao*, September 20, 2018, <http://opinion.huanqiu.com/hqpl/2018-09/13064985.html>

²⁸ '龙狮共舞黄金时代', *CIIS*, September 10, 2018, http://www.ciis.org.cn/chinese/2018-09/10/content_40496582.htm

²⁹ 'Beijing declaration, action plan adopted at FOCAC summit', *Guangming Daily*, September 5, 2018, http://en.gmw.cn/2018-09/05/content_30987329.htm

time too Xi [promised](#) another \$60 billion in financing, mentioning that Chinese investment comes with “no political strings attached”³⁰.

Chinese commentators [argued](#) that every time China conducts a successful FOCAC summit, it is the Western powers who become visibly uncomfortable. They opine that the Western countries need to stop focusing on the limitations of China-Africa ties and start contemplating on why their own cooperation with Africa has become out of date. While the West keeps harping about political governance and human rights, Africa strives for more transportation lines, power plants and manufacturing. They further added that if the West is so concerned about Africa, they should devote more resources and energy to the continent.³¹

The Chinese side [objected](#) to the Western criticism regarding China’s debt trap strategy in Africa. They say that even if the investment payback period for projects such as railways and highways is long, these projects are a prerequisite for the industrialization of any economy. Once the industrialization process is initiated, the debt problem will not be difficult to resolve. Moreover, Africa has important advantages in the pursuit of industrialization, such as a young population and rich mineral resources. Therefore China can teach and inspire Africa to get rich³².

2. Cross-Strait Issues

China was furious with the US Department of Defence approving the sale of spare parts worth \$330 million for F-16 fighter jets and other military aircraft to Taiwan. It was highlighted in the Chinese media that although the amount is not much compared to the \$1.42 billion that the Trump administration sold to Taiwan last year and to the previous US government arms sales to Taiwan, what made this sale significant is that the announcement was made on the same day when the US imposed a 10% tariff on \$200 billion of Chinese exports to the United States.

Further complicating the situation, the United States earlier this month recalled its top diplomats in the Dominican Republic, El Salvador and Panama over those countries’ decision to sever diplomatic ties with Taiwan. The move was preceded by US senators introducing a legislation that would authorize the

³⁰ ‘West’s bias not reflected in reality of African ties’, *China Daily*, September 3, 2018, <http://www.chinadaily.com.cn/a/201809/03/WS5b8d5503a310add14f38958a.html>

³¹ ‘西方须用改变对非思维代替抱怨中’, *Huanqiu Shibao*, September 2, 2018, <http://opinion.huanqiu.com/editorial/2018-09/12904667.html>

³² ‘甩开西方噪音，中非合作大步向前’, *Huanqiu Shibao*, September 4, 2018, <http://opinion.huanqiu.com/editorial/2018-09/12925558.html>

State Department to downgrade US relations with any government that shifts away from [Taiwan](#)³³.

The strategic community in the Mainland [argued](#) that the United States itself had led the global trend of “breaking diplomatic relations” with Taiwan and establishing diplomatic relations with China 40 years ago. Therefore, how is it possible now that the US Congress is going to sanction small countries that adopt the same approach?³⁴ An unsigned [article](#) in Huanqiu Shibao warned that if the United States continues to increase arms sales to Taiwan or increases military contacts with Taiwan any further, as planned in its national defence authorization laws passed in the last two years, the Chinese side will use Mao Zedong’s “you fight your way, I fight my way” strategy to retaliate and make the US pay³⁵.

Further, referring to the incident of the Pentagon rejecting the State Council’s request to send US Marine Corps to guard the new campus of the American Institute in Taiwan, Chinese scholars [warned](#) Taiwan that the United States only wants to use the island to exert pressure on the Mainland, but is unwilling to confront the Mainland directly in the Taiwan Strait because in that case Beijing will use the Korean Peninsula and Iran card to retaliate.³⁶ Therefore, to Tsai Ingwen’s recent remarks that “unification is not the only option for Taiwan,” Mainland intellectuals [retorted](#) that “reunification is Taiwan’s only option, however, peaceful reunification is not necessarily the only option for reunification”.³⁷

3. Defence

China is “angry” about the sanctions imposed by the US State Department on the Equipment Development Department of the Central Military Commission of China and its directors on the grounds that China purchased 10 Russian-made SU-35 fighters in 2017 and the S-400 surface-to-air missile system in 2018.

³³ ‘Meddling in China’s affair violates norms’, *China Daily*, September 9, 2018, <http://www.chinadaily.com.cn/a/201809/09/WS5b950c3ba31033b4f465505d.html>

³⁴ 美议员推《台北法案》是疯狂介入台, *Huanqiu Shibao*, September 6, 2018, <http://opinion.huanqiu.com/editorial/2018-09/12941911.html>

³⁵ 多角度剖析美最新对台军售, *Huanqiu Shibao*, September 25, 2018, <http://opinion.huanqiu.com/editorial/2018-09/13107404.html>

³⁶ 美陆战队不去AIT, 绝了台当局念想, *Huanqiu Shibao*, September 14, 2018, <http://opinion.huanqiu.com/editorial/2018-09/13016500.html>

³⁷ 旗帜鲜明支持岛内统派反独促统, *Huanqiu Shibao*, September 19, 2018, <http://opinion.huanqiu.com/hqpl/2018-09/13055243.html>

The Chinese strategic community [condemned](#) the move as a bad precedent, a move of “strategic naivette” and “arrogance” which will undoubtedly have a negative impact on exchanges between the Chinese and US militaries. Contacts and communication between the two militaries, they say, are of great significance to the peace and stability of the Asia-Pacific region. They called it a part of psychological warfare initiated by the US which will make little change on-ground. The US doesn’t sell any military equipment to the PLA and the Chinese army, they say, will continue to buy weapons from Russia. Chinese commentators further ask why similar action has not being taken against India which is a regular buyer of Russian equipment and Turkey which purchased S-400 Air Defence missile system from Russia in 2018. Beijing has therefore vowed to ensure that Washington gets the feel that China is “unhappy”.³⁸

Reports emerged of Beijing retaliating by cancelling a Washington visit by the head of its navy and denied a request for a US Navy ship to make a port visit at Hong Kong. It was also reported that Beijing has cancelled the upcoming session of the US China Diplomatic and Security Dialogue. However, China’s foreign ministry later claimed that it was Washington’s ploy to frame China as the one behind the ongoing deterioration of US-China ties and that Beijing has postponed the talks with the United States at the request of Washington³⁹.

Meanwhile, a US military B-52 bomber flew over the South and East China Seas while participating in a joint operation. The Chinese side described it as yet another incident of US provocation. Chinese strategists say that in the face of tremendous pressure from the US side to make China retreat in the SCS islands issue, China has “steadily” gone ahead with island reef construction. Now the US has little option but to carry out such publicity stunts. They further [add](#) that if the US military activities continue to increase, threatening the security of those islands and reefs, China will deploy more military combat equipment there. In other words, the US side’s increased military provocation against China will only cause China to invest more resources in strategic military construction, including the construction of advanced nuclear forces⁴⁰.

³⁸ ‘美制裁中国军队·其傲慢已经满格’, *Huanqiu Shibao*, September 22, 2018, <http://opinion.huanqiu.com/editorial/2018-09/13082850.html>

³⁹ ‘China calls US ‘irresponsible’ for suggesting Beijing cancelled security talks’, SCMP, October 04, <https://www.scmp.com/news/china/diplomacy/article/2166954/china-calls-us-irresponsible-suggesting-beijing-cancelled>

⁴⁰ ‘B-52轰炸机又来南海·怎么看?’, *Huanqiu Shibao*, September 27, 2018, <http://opinion.huanqiu.com/editorial/2018-09/13126973.html>

4. Economy



China issued a White Paper to put forward its position in the ongoing trade war. Source: South China Morning Post, <https://www.scmp.com/news/article/2165870/why-china-used-foreign-sources-make-its-case-defender-free-trade-its-war-united>

As Trump upped the ante with tariffs on US\$200 billion of goods, China's main Shanghai Composite index fell to its lowest close in nearly four years in September. Given the rising pessimism and anxiety in Chinese society, the Chinese media highlighted the need to unite and inspire the society⁴¹.

China even issued a [White Paper](#) to clarify the facts of China-US economic and trade friction and put forward China's position in the ongoing trade war⁴². The White Paper, which has more than 30,000 words, is meant to "seek truth from facts". It addressed several sensitive questions about the Chinese economy and the trade war like i) Can the Chinese economy survive the trade war? ii) Under the influence of the trade war, are foreign companies leaving the Chinese market? iii) Will US-China negotiations work?

The White Paper is [aimed](#) at helping the American society and the entire international community to "accurately understand" the facts surrounding Sino-US trade and become more familiar with the nuances of China's position.

⁴¹用更好地发展经济回应困惑和风险', *Huanqiu Shibao*, September 17, 2018, <http://opinion.huanqiu.com/editorial/2018-09/13044212.html>

⁴²'China releases white paper on facts and its position on trade friction with U.S.', *Guangming Daily*, September 25, 2018, http://en.gmw.cn/2018-09/25/content_31354499.htm

It is also aimed at convincing the Chinese public of the soundness of China's countermeasures⁴³.

The other strongly debated topic in the Chinese media was the status of the Chinese economy. Chinese strategists objected to the US move to justify its imposition of high tariffs on Chinese goods by labelling China's economy as "[state capitalism](#)", not a real market economy but a state-led protectionist and mercantilist economy. Chinese strategists argued that the country's remarkable economic achievements are attributable to the socialist market economy, which brings together the advantages of both the socialist system and market economy, and have nothing to do with "state capitalism". In fact, they made counter attacks that although the US is a self-proclaimed representative of free market economy and free market capitalism, the government's role has been extremely important in its economic development.⁴⁴.



Chinese President Xi Jinping says that rising trend of unilateralism and protectionism is forcing China to become more self-reliant, Source: China Daily, <http://www.chinadaily.com.cn/a/201809/29/WS5bae834ca310eff3032801fb.html>

⁴³ 白皮书显示中国的坦荡、坚定与理性', *Huanqiu Shibao*, September 24, 2018, <http://opinion.huanqiu.com/editorial/2018-09/13099016.html>

⁴⁴ 'The West once again gets it wrong on China', *China Daily*, September 7, 2018, http://www.chinadaily.com.cn/a/201809/07/WS5b925c35a31033b4f4654e4f_1.html

Amidst such ongoing debate on the role of the state in the Chinese economy, an online article titled "[Chinese private economy has fulfilled its mission to assist development of the public economy, and should gradually fade out](#)" created quite a furore both within and outside China on the prospect of a possible policy reversal by Chinese government. Although both Economic Daily and People's Daily later disowned the views expressed in the article, the incident did bring to the forefront Chinese society's growing anxiety over the problems facing the country's private sector.⁴⁵

Later, during his visit to China's 'rust belt' Northeast from September 25th to 28th, Xi Jinping gave important clues about the future direction of the Chinese economy. First, he said that "Chinese people's rice bowl should be firmly in their hands" signifying the importance of food security for China. Second, he mentioned that at a time when unilateralism and trade protectionism are rising internationally and advanced technologies are becoming more and more difficult to obtain, China needs to adhere to the path of self-reliance.

Other than this, President Xi Jinping also addressed the widespread concern in China about the effect of the 'opening up' policy on the country's public and private sectors. He vowed to continue strengthening China's state-owned enterprises, while at the same time assuring the private sector it has the Communist Party's "unswerving support". Chinese media [explained](#) that Xi's remarks symbolised that both public-owned economy and the non-public economy in China will complement each other, rather than being mutually exclusive and offsetting each other⁴⁶.

5. Internal Security

Chinese intellectuals have taken serious [offence](#) at US Secretary of State Pompeo's speech on September 21 where he said that Muslims in Xinjiang, China, were "forced by political indoctrination and terrible abuse, their beliefs were being destroyed" and that "the Chinese government has been closing churches, burning the Bible, and ordering Christians to sign documents that give up their faith." Making matters worse, there have been reports of the US considering imposing economic penalties on Chinese officials for alleged human rights abuses in the Xinjiang Uygur autonomous region, which China

⁴⁵Healthy development of private economy essential, China Daily, September 13, 2018, <http://www.chinadaily.com.cn/a/201809/13/WS5b9a6ed1a31033b4f4655eef.html>

⁴⁶'在东北·习近平关注了这些事', PLA Daily, September 25, 2018, http://www.81.cn/jwgz/2018-09/30/content_9301771.htm

says is a blatant interference in China's internal affairs and a violation of China's sovereignty⁴⁷.

The Chinese strategic community [asks](#) America that if China is seen to be at fault for destroying Islam, would it not make China the outright enemy of the entire Muslim world? The reality, however, is that many Islamic countries across the world are on-board with China's Belt and Road Initiative. They further ask whether Muslims of the world are more incensed by America or by China? Is it American policy or Chinese policy on the Muslim world that has created global discrimination about the Islamic belief system? On Christianity, they say that if Pompeo's charge of persecution of Christians in China were true, then the numbers of Christians in China would not be increasing and the Vatican would not have signed an agreement on appointment of bishops. They, therefore, argue that Washington's recent move of singling out China on the ground of human rights is politically motivated⁴⁸.

6. Chinese Communist Party

There is a general [feeling](#) in Chinese strategic circles that the biggest reason behind China encountering so much criticism and accusation in recent times is due to Western control over global public opinion. They say that although China has become one of the most important countries in the world, has a vision, and strong motivation, it still is not very eloquent while presenting its point of view to the world. This is because the West has total control over global communication channels and has a natural advantage in dominating global debates. China may be right in many issues, but its voice is often surpassed by Western public opinion⁴⁹. So much so that it has to keep assuring even its domestic audience about China's own development path and policies.

Therefore, following Xi Jinping's speech at the National Conference on Propaganda and Ideological Work held in Beijing on August 21st and 22nd, there has been widespread discussion in the Chinese Press about [how to improve the quality, efficiency and effectiveness of China's propaganda and ideological](#)

⁴⁷ 'Fair competition, not confrontation required', *China Daily*, September 26, 2018, <http://www.chinadaily.com.cn/a/201809/26/WS5bab8648a310c4cc775e83cd.html>,

⁴⁸ '蓬佩奥攻击中国·能把罪名编圆点吗', *Huanqiu Shibao*, September 23, 2018, <http://opinion.huanqiu.com/editorial/2018-09/13089379.html>

⁴⁹ "大国心态"将带中国社会走得更远', *Huanqiu Shibao*, September 3, 2018, <http://opinion.huanqiu.com/editorial/2018-09/12914327.html>

[work](#)⁵⁰, [how to generate favorable public opinion](#)⁵¹, [enhance the influence of Chinese culture](#)⁵², [infuse solidarity and cohesion in Chinese society and restore faith in Marxism](#)⁵³.

To cope up with the ongoing trade war with the US together with deteriorating domestic economic indicators for investment and consumption, a weakening currency, and a bearish stock market, China has accelerated the process of SOE reform. Recently, the General Office of the CPC Central Committee and the General Office of the State Council issued Regulations on the Administration of Leaders of Central Enterprises. Chinese strategists [believe](#) it is of great importance to cultivate world-class companies with global competitiveness.⁵⁴ There is also an important requirement for upholding and strengthening the party's overall leadership of the country's economy⁵⁵.

In yet another development, President Xi [called for](#) strengthening party's overall leadership, both ideological and political, in the education sector and to stick to the path of socialist education with Chinese characteristics during his speech at the National Education Conference on September 10th, which marked China's 34th Teachers' Day⁵⁶. China's education must take the cultivation of socialist successors as the fundamental task and cultivate generation after generation of the Communist Party of China. It is only through the socialist [reform and innovation of education](#) that China can achieve its dream of building a well-off society in an all-round way, of winning the great victory of socialism with Chinese characteristics in the new era, and of realizing the great rejuvenation of the Chinese nation.⁵⁷

⁵⁰'提升宣传思想工作质量和水平', *People's Daily*, September 12, 2018, <http://dangjian.people.com.cn/n1/2018/0912/c117092-30287699.html>

⁵¹'牢牢把握正确舆论导向', *People's Daily*, September 10, 2018, <http://dangjian.people.com.cn/n1/2018/0910/c117092-30282946.html>

⁵²'展形象, 提升中华文化影响力', *People's Daily*, September 10, 2018, <http://dangjian.people.com.cn/n1/2018/0910/c117092-30282336.html>

⁵³'以坚定的理想信念筑牢精神之基', *Qiushi*, September 19, 2018, http://www.qstheory.cn/lwx/2018-09/19/c_1123451132.htm

⁵⁴'谱写新时代中央企业领导人员队伍建设新篇章', *People's Daily*, September 30, 2018, <http://dangjian.people.com.cn/n1/2018/0930/c117092-30322579.html>

⁵⁵'发挥党建在国家机构改革中的轴心作用', *People's Daily*, September 28, 2018, <http://dangjian.people.com.cn/n1/2018/0928/c117092-30318147.html>

⁵⁶'坚持党对教育事业的全面领导', *People's Daily*, September 18, 2018, <http://dangjian.people.com.cn/n1/2018/0918/c117092-30299352.html>

⁵⁷'教育是国之大计、党之大计', *People's Daily*, September 13, 2018, <http://dangjian.people.com.cn/n1/2018/0913/c117092-30290031.html>



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