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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@dp.org.in

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Abstract

India’s decision to abrogate Article 370 and Article 35A of its constitution on August 5, fully integrating Jammu & Kashmir and Ladakh within the constitutional framework of the rest of India, generated a strong response from Beijing. China’s Foreign Ministry, in its August 6 statement, condemned the move as “unacceptable”. China’s media discourse also took a pronounced anti-India stance.

Although China reiterated its strong support for Pakistan’s rights and interests in the region in various press statements and even helped it to raise the issue at an informal UN Security Council meeting, many in Chinese strategic circles felt that Beijing had taken a relatively “restrained” stance not commensurate with the gravity of India’s action. There were growing demands that China should re-affirm the status of Arunachal Pradesh and Ladakh as Chinese territory through a declaration by the Standing Committee of the National People’s Congress. There was also discussion about officially placing Arunachal Pradesh and Ladakh under the direct administration of the Tibet Autonomous Region with offices in the Nyingchi and Ngari areas. Many Chinese strategists also highlighted the need to build a case internationally against India’s “major power ambitions” supported by its “offensive”, “high-risk” and “adventurous” foreign policy under the Modi government.

In August, the China-US trade war entered a new phase of escalation. Days after the 12th round of negotiations, President Trump tweeted that the U.S. will impose an additional 10% tariff on $300 billion in imports from China, in two separate steps commencing September 1 and December 15, 2019. China, while threatening “necessary countermeasures” to the US tariff hikes, halted purchase of US agricultural products. The Yuan also slid past the 7 per dollar mark for the first time since 2008, leading the U.S. to label China a currency manipulator. On August 23, China announced further tariffs on an additional $75 billion of US products. Following this, President Trump announced new retaliatory tariff hikes on all Chinese products and “ordered” US companies to relocate from China. China’s commerce ministry, in turn, lodged a “solemn representation” with the US on the additional tariffs, while maintaining that “China still has sufficient countermeasures.” China’s state media asserted that “Even after more than one and a half years, having played all its cards, the US can still do nothing to China. It is time Washington grasps the obvious, that Beijing will not cave in to Washington’s demands, no matter how much pressure is applied”.

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Meanwhile, the Hong Kong protests entered the 13th straight week this month. Incidents like the August 4 attack on China’s official representation by Hong Kong protesters and the mid-August Hong Kong Airport shutdown leading to cancellations of hundreds of flights, built up tremendous pressure on Beijing. However, Beijing does not appear willing to resort to military options in Hong Kong just yet. Several commentaries in Chinese newspapers advocated legal measures, including invoking the Emergency Regulations Ordinance in Hong Kong. Carrie Lam, Chief Executive of Hong Kong, offered an olive branch by proposing to build a dialogue platform with the public. On Xinjiang, China released a white paper to debunk the Western media’s “lies” about vocational education and training centres in the region.

In the military field, China was furious over the US decision to sell $8 billion worth of F-16V fighter jets to Taiwan. There was also much anxiety in Chinese strategic circles about the US decision to withdraw from the INF Treaty and the prospect of US placing ground-based intermediate-range missiles in Asia as a part of its Indo-Pacific strategy. China’s state media cautioned that “The US is making a strategic mistake. History will conclude: America has chosen the wrong adversary at the wrong time.”

In terms of China’s economy, a State Council’s executive meeting chaired by Premier Li Keqiang identified a number of measures, particularly the use of technology like Big Data, to boost consumption of goods and promote tourism, so as to ensure steady growth of the economy during the next half of this year. There was much discussion in the Chinese press about development of the platform economy, where internet technologies and Internet of Things are deeply integrated with manufacturing, entrepreneurship as well as services in fields like medical care, education and tourism etc.

During the month, all eyes were on the Beidaihe Summit – the Chinese Communist Party’s secretive annual summer recess, where senior leaders gather at the Beidaihe beach resort to discuss the way ahead for the country and the party. Taking cues from the statements of China’s top leadership in the run up to the event, Chinese media reports claimed that this year the Beidaihe Summit focused on the educative theme of “Don’t forget to follow the party’s initial heart, remember the mission.” This is understood to be a new round of a “rectification” movement under President Xi Jinping, aimed at generating consensus among the top leadership in the CCP on how to collectively face the current complex situation, marked by the downward pressure on the economy, the Sino-US trade war and the continuing instability in Hong Kong.
1. Foreign and Security Policy

China–India Relations


India’s abrogating Article 370 and Article 35A of its constitution on August 5, firmly integrating Jammu, Kashmir, and Ladakh with the rest of the country, generated strong response from Beijing. China’s Foreign Ministry, issued a statement asserting “China is... opposed to India’s inclusion of the Chinese territory (Ladakh) in the western sector of the China–India boundary into its administrative jurisdiction...India...undermining China’s territorial sovereignty by unilaterally changing its domestic law, is unacceptable and will not come into force.”

The Chinese strategic community was also critical of the Indian move. While some bemoaned the loss of “45,000-square-kilometer of forgotten Chinese territory, 45 times the size of Hong Kong and 7 times of Shanghai” to India, others lamented “Iron Brother” Pakistan’s inability to retaliate more forcefully, given its shaky economy, the risk of being black listed by the Financial Action Task Force (FATF) and the international isolation that it currently faces.

The Chinese commentaries identified three motives behind India’s move in J&K: 1) reducing the importance and sensitivity of the Kashmir issue on the global platform by changing the political and geographic map of Kashmir; 2) addressing secessionist tendencies in the region by changing the local demographic distribution of the region, and finally, 3) strengthening India’s defence posture vis-a-vis China at the border region by integrating politico-military resources in the Ladakh region.

Although in the days following the development, China reiterated its strong support for Pakistan in various press-statements and even helped it raise the issue at the informal UN Security Council meeting, some Chinese commentators argued that Beijing has, this time, taken a relatively “restrained” stance vis-a-vis India, not commensurate with the gravity of its action. Apart from the statement on Ladakh, Beijing has refrained from publicly challenging the Indian move and has urged both India and Pakistan to resolve the issue peacefully.

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However, to convey Beijing’s displeasure, certain countermeasures\(^9\) vis-a-vis India are being discussed\(^10\), including re-confirming the status of Arunachal Pradesh and Ladakh as Chinese territory through a declaration by the Standing Committee of the National People’s Congress and officially putting Arunachal Pradesh and Ladakh under the direct administration of the Tibet Autonomous Region with offices in the Nyingchi and Ngari areas.

Also, there is a growing constituency within Chinese strategic circles who seek to build a case against India’s “major power ambitions” supported by its “offensive” foreign policy, which Beijing claims, “hazards regional and international peace and security”. India, they allege, is taking advantage of the complex international environment where major powers are facing myriad challenges and disputes and carrying out various “high-risk”, and “adventurous” policies without suffering any major setback, which in turn has further emboldened it take up issues as controversial as Kashmir.\(^11\)

**China-US Relations**

The month started on a positive note with the 12th round of China-U.S. high-level trade consultations in Shanghai, marking a new beginning after the breakdown of talks in May 2019\(^9,12\). However, optimism lost steam midway, resulting in China-US trade war entering a dangerous new phase. Days after the 12th round of negotiations, President Trump tweeted that the U.S. will put an additional 10% tariff on $300 billion in imports from China. The tariffs were split into two tranches. Some were to begin from September 1 and the rest from December 15. China, while threatening “necessary countermeasures” to US tariff hikes, halted purchase of the US agricultural products. The Yuan also slid past 7 per dollar for the first time since 2008, leading to the U.S. labelling China a currency manipulator. On August 23, China announced further tariffs on an additional $75 billion of US products. Following this, President Trump announced new retaliatory hikes under which the US would now raise existing tariffs on $250bn of Chinese imports from 25% to 30% starting October 1, and increase planned tariffs from 25% to 30% on $300bn of other Chinese products. Furthermore, in a clear act of escalation, U.S. companies were “ordered” to

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\(^9\)“面对拉达克之痛，中国该如何应对？”, Sohu, August 11, 2019, [http://www.sohu.com/a/332965012_425345](http://www.sohu.com/a/332965012_425345)


relocate from China. China’s commerce ministry, in turn, lodged a “solemn representation” with the US over Trump’s plan to increase tariffs on all Chinese products, while maintaining that “China still has sufficient countermeasures”.13

*Figure 3: Delegates to the 12th Round of China-U.S. high-level economic and trade consultations pose for a group photo in Shanghai, July 31, 2019. Source: Xinhua, http://www.xinhuanet.com/english/2019-08/01/c_138276023.htm*

Chinese media was full of jingoistic commentaries, describing the Trump administration’s tariff war as “politically motivated”. One commentary in the Chinese mainstream media opined “What Washington wants is its largest trading partner be content with playing second fiddle to America and meekly do as it demands”, while adding, “China has never been a yes-man to any country and it is not going to be one now. It will by no means have its fate controlled by the US through an unfair deal.”

Chinese strategists further observed that although the US leaders are urging the US companies to shift base from China, the reality is that many US companies continue to expand their investments in China and are reluctant, if not unable, to find alternatives to replace their Chinese trading partners or supply chains.

They refer to the example of US mega-retailer Costco which opened its first Chinese mainland flagship store in Shanghai on August 27, 2019. “Facing the

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13 ‘China has sufficient countermeasures, opposes mounting trade war: MOC’, Global Times, August 30, 2019, http://www.globaltimes.cn/content/1163160.shtml
US leader’s order that American companies quit China, Costco has voted with its feet” stated an article in the Global Times\(^{14}\).

Washington, Chinese commentators argued, has still not grasped the obvious, that Beijing will not cave in to Washington’s demands, no matter how much pressure is applied. Even after more than one and a half years, having played all its cards, the US can still do “nothing” to China. Therefore, it is inferred that the US has lost the chance of forcing China to maximize the concession it offers and from now on Beijing will gradually take back the initiative in trade dispute.

In this backdrop, shadows were cast on the upcoming 13\(^{th}\) round of China-US trade negotiations, scheduled to be held in September 2019. While the US side refused to confirm whether the scheduled talks would take place, China’s Ministry of Commerce maintained that the matter is “still being discussed”.

2. Defence

China strongly criticised the US decision to withdraw from the INF Treaty, leading to its demise on August 2\(^{15}\). Although the Chinese side argued\(^{16}\) that it is “unacceptable” to use China as an excuse for the United States to leave the INF Treaty, it ruled out the possibility of any trilateral arms control agreement with Washington. Furthermore, US Secretary of Defence Mark Esper’s remark on US placing ground-based intermediate-range missiles in Asia within months, a day after the US formally withdrew from the Intermediate-Range Nuclear Forces (INF) Treaty, generated much debate and discussion in Chinese strategic circles.

A Global Times article inferred “the US is trying to achieve two goals by quitting the Treaty—first is aimed at Russia, particularly as it failed to comply with the INF treaty by boosting its INF forces and developing new systems, and second by strengthening its Indo-Pacific Strategy via placing missiles in the region”\(^{17}\). The Chinese side further warned that the US Indo-Pacific strategy\(^{18}\) supported by its missile plan would have a damaging influence, triggering fierce reaction

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\(^{16}\) ‘Russia, US trade barbs over INF collapse, China says no interest in trilateral treaty’, Xinhua, August 23, 2019, http://www.globaltimes.cn/content/1162446.shtml

\(^{17}\) ‘US Asia missile plan ill-conceived’, Global Times, August 12, 2019, http://www.globaltimes.cn/content/1160789.shtml

\(^{18}\) ‘US Indo-Pacific Strategy will lead to chaos’, Global Times, August 6, 2019, http://www.globaltimes.cn/content/1160554.shtml
from China and Russia and leading to an unprecedented arms race in the region.\(^{19}\)

In another development, the Chinese side was furious over the US’ recent decision to sell $8 billion worth of F-16V fighter jets to Taiwan. While reacting to the largest single US arms sale to Taiwan since 1992, an article in the Global Times advocated\(^{20}\) tough measures to establish a new political understanding of Taiwan’s military purchases. It suggested that China must directly link US arms sales to Taiwan with China’s purchase of US agricultural products in the future. That is, China will buy less US agricultural products for every weapon the US sells to Taiwan. This, according to the Chinese understanding, will pit the American farmers against the arms dealers, causing a domestic backlash in the US against arms sales to Taiwan. A Global Times article\(^ {21}\) in its conventional threatening tone argued “The US is making strategic mistakes. History will conclude: America has chosen the wrong adversary at the wrong time.”

Meanwhile, China celebrated the 92nd anniversary of the founding of the People’s Liberation Army (PLA) this month\(^ {22}\). At the session of CPC Central Committee Political Bureau on reforming military policies and institutions, held ahead of China’s Army Day on August 1, President Xi Jinping stressed\(^ {23}\) on concentrating efforts to implement the strategy of strengthening the PLA through reform, to advance the cause of building a strong military in the new era.

On August 31, 2019, China officially announced that it will hold a grand military parade on October 1 to celebrate the 70th anniversary of the founding of the People’s Republic of China. An article in China Military Online highlighted that this year’s military parade on ‘National Day’ will be a display of China’s great achievements in the field of national defence and army building over the past 70 years. Furthermore, as a part of ongoing Sino-Russian strategic collaboration, PLA is sending 1,600 troops, over 300 pieces of weaponry, nearly 30 fixed-wing aircraft and helicopters to participate in the Tsentr-2019 (Center-2019) military drills in Russia, from September 16 to 21. The drill will focus on combating international terrorism and ensuring military security in Central

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\(^{19}\) ‘Revocation of INF treaty may fuel unprecedented weapons proliferation’, Global Times, August 7, 2019, http://www.globaltimes.cn/content/1160676.shtml

\(^{20}\) ‘US arms sales to Taiwan will lead to serious consequences’, Global Times, August 28, 2019, http://www.globaltimes.cn/content/1162120.shtml

\(^{21}\) ‘Pence’s threat on HK affairs outrageous’, Global Times, August 20, 2019, http://www.globaltimes.cn/content/1162115.shtml


Asia. Military units from Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan and Uzbekistan will also take part in these drills\textsuperscript{24}.

3. Economy

A State Council's executive meeting on July 30, chaired by Premier Li Keqiang, identified a number of measures, particularly use of technology like Big Data, to boost consumption of goods and consumption in culture and tourism, so as to ensure steady growth of the economy during the next half of this year\textsuperscript{25}. As China’s top leadership prioritizes leveraging internet-based technologies and services to boost economic growth, Chinese media discussed measures to support the development of a platform economy where internet technologies and Internet of Things are deeply integrated with manufacturing, entrepreneurship as well as services in fields like medical care, education and tourism\textsuperscript{26}.

Meanwhile, China’s trade data for July brought some respite to the Chinese policy-makers. According to China’s state media, in July, yuan-denominated exports rose 10.3 percent year-on-year, up from 6 percent in June, whereas the imports grew at 0.4 percent year-on-year, up from a negative 0.4 percent in the previous month, resulting in a trade surplus of 310.26 billion yuan ($45.06 billion). China’s state media proclaimed that despite all odds, China presently remains an irreplaceable source of imports for many countries\textsuperscript{27}.

On the currency front, the Yuan weakened beyond 7 per US dollar on August 8 for first time since 2008, amidst escalating Sino-US trade conflicts. A China Daily editorial advised people not to over-interpret the development\textsuperscript{28}. It argued that the Yuan does not have much room for further depreciation, because the fundamentals of China’s economy remain strong, with the Yuan’s value stable and China’s foreign exchange reserves high. It further argued that although China can very well keep the Yuan exchange rate below 7 against the dollar, it doesn’t want to do so, particularly as “China is committed to market-oriented reform of the Yuan’s exchange rate”. It further called the US move to

\textsuperscript{24} ‘Military parade to demonstrate China’s rising capability’, China Military Online, August 30, 2019, http://eng.chinamil.com.cn/view/2019-08-30/content_9606438.htm
\textsuperscript{25} ‘China sets to further boost consumption’, Xinhua, August 1, 2019, http://www.xinhuanet.com/english/2019-08/01/c_138273411.htm
\textsuperscript{26} ‘China to nurture platform economy growth’, Xinhua, August 8, 2019, http://www.xinhuanet.com/english/2019-08/08/c_138294407.htm
label China as a “currency manipulator” as “ridiculous” and “politically motivated”. Another China Daily article referred to a recent report released by the International Monetary Fund to strengthen its argument that China is not, as the United States has claimed, a currency manipulator.  

4. Internal Security


Hong Kong Protests entered their 13th straight week this August. Incidents like the August 4 attack on Chinese Flag by Hong Kong protestors and the mid-August Hong Kong Airport shut down leading to cancellations of hundreds of flights have built tremendous pressure on Beijing.

The Chinese media argued that Hong Kong’s “colour revolution” aims to “completely paralyze the HKSAR government, police and the rule of law, and undermine Hong Kong’s status as an international financial center”. By doing

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32 ‘Color revolution aims to ruin HK’s future’, Global Times, August 13, 2019, http://www.globaltimes.cn/content/1161356.shtml
so, it added, the protesters aim to force the central government to give up governance over Hong Kong, accede to universal suffrage and give the city back to the Western world. A Global Times article further asserted “The Chinese government will never allow extreme opposition and the West to pull Hong Kong into the anti-China camp, nor will it allow the city to slip into long-term chaos or become a base for the West to subvert China’s political system. This is a grim fight between attempts to deprive and defend the city’s international financial center status”.

While urging Hong Kongers “not to get manipulated”, the Chinese media launched an attack on U.S. politicians including House Speaker Nancy Pelosi and Senator Marco Rubio. Criticising the US political figures, the Chinese Foreign Ministry even issued a statement on August 13, mentioning “The concerned U.S. congressmen who are confusing right and wrong and inciting violent crimes have shown by their words and deeds that they are the black hands behind the violent extremists ... Hegemonists will pay a heavy price if they act arbitrarily on the soil of others.”

China’s state media further warned the White House not to link Hong Kong with the China-US trade negotiations. “Hong Kong won’t be a repeat of Tiananmen incident in 1989 and Washington will not be able to intimidate China by using the turmoil 30 years ago. China is much stronger and more mature, and its ability to manage complex situations has been greatly enhanced”. It was argued that “the US can’t influence Beijing’s decision on Hong Kong using trade negotiations or economic sanctions as a bargaining chip, as more and more Chinese people are prepared that the two countries may not reach a deal for a long time”.

However, contrary to general expectations, Beijing seems unwilling to go beyond rhetoric and resort to military options in Hong Kong just as yet. Several commentaries in Chinese newspapers advocated various legal measures including invoking Emergency Regulations Ordinance in Hong Kong. Even

33 ‘Can an emergency be proclaimed in Hong Kong?’ Global Times, August 29, 2019, http://www.globaltimes.cn/content/1163015.shtml
34 ‘Futile for Washington to play HK card’, Global Times, August 28, 2019, http://www.globaltimes.cn/content/1161632.shtml
35 ‘US can’t influence Beijing’s decision on HK’, Global Times, August 19, 2019, m./http://www.globaltimes.cn/content/1161992.shtml
Carrie Lam, Chief Executive of Hong Kong, has offered an olive branch by proposing to build a dialogue platform with the public.

On Xinjiang, China released a white paper on August 16 focusing on vocational education and training in Xinjiang, which has been the focus of worldwide debate in the last couple of years. Through the White Paper China strove to justify the value of the centers in the governance of Xinjiang and debunk the western media’s portrayal of these institutes as “detention centres”.

5. Chinese Communist Party

This month the focus of both the Chinese and international media was on the Beidaihe Summit – the Chinese Communist Party’s annual summer recess, where senior leaders gather at the Beidaihe beach resort to discuss the way ahead for the country and the party. As always the meeting’s agenda, guest list and exact dates remained shrouded in secrecy. The news by the state media about senior Communist Party officials meeting the nation’s leading academics and researchers at Beidaihe on August 2 signaled the start of the closed-door agenda-setting meeting of China’s political elites. Again, public appearances by CCP’s top executives by mid August suggested conclusion of the summit.

The Beidaihe meeting has been traditionally regarded by China watchers at home and abroad as a significant conference that can change the track of China’s politics. Taking cues from the statements of China’s top leadership in the run up to the Beidaihe event, one article in China Times claimed that this year the Summit focused on the educative theme of “Don’t forget to follow the party’s initial heart, remember the mission.” The article also claimed that this is a new round of rectification movement under President Xi.

Rectification drives are generally carried out in case of ideological confusion and organizational disintegration, to establish and re-establish the leadership’s...

36 ‘Can an emergency be proclaimed in Hong Kong?’ Global Times, August 29, 2019, http://www.globaltimes.cn/content/1163015.shtml
personal authority. Conducted under the shadow of the downward pressure on the economy, the Sino-US trade war and the continuing instability in Hong Kong, the key agenda of the Beidaihe Summit was to generate consensus among the senior leadership of the CCP on how to face the current complex situation “together”. Another article in the People’s Daily highlighted that the experts represented at this year’s summer recess were from fields as diverse as materials science, quantum optics, energy engineering, genetic breeding, oil and gas field development, etc. and focused on themes like food security, core technology, and innovation. They were upheld as model leaders of patriotic struggle and pioneers of reform and innovation in New China, at the new historical starting point of the 70th anniversary.
