



Delhi Policy Group

# DPG China Monitor

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### April 2020

#### ABOUT US

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#### 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](mailto:antara@dpg.org.in)

#### Cover Photographs:

*(Photographs top to bottom)*

*Chinese Premier Li Keqiang speaks with other ASEAN Plus Three leaders during a videoconference on COVID-19 pandemic response, April 14, 2020, Source: China Daily, <http://www.chinadaily.com.cn/a/202004/15/WS5e964506a3105d50a3d16349.html>*

*China announced two new districts to administer waters in the South China Sea, April 18, 2020, Source: Global Times, <https://www.globaltimes.cn/content/1186084.shtml>*

*After 76 days of lockdown, Wuhan in Central China's Hubei Province started lifting outbound travel restrictions from April 8, 2020, Source: China Daily, <https://www.chinadailyhk.com/article/126980>*

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## Abstract

China faced an increasingly challenging international environment and a rising tide of anti-China public sentiment this month, as global leaders including US President Donald Trump, French President Emmanuel Macron, German Chancellor Angela Merkel, Australian Prime Minister Scott Morrison and British Foreign Secretary Dominic Raab publicly criticised its “mismanagement” of the COVID-19 crisis in the crucial early days of the outbreak. This also resulted in a series of law suits being filed against China seeking damages for deaths, injuries and economic losses caused by the pandemic.

China’s state media warned “if divisions between China and the West are allowed to widen any further, the existing international system can hardly be sustained. Two parallel systems may emerge, with China and Western countries developing their own, as systematic confrontations evolve into a new cold war, or even a hot war”.

Meanwhile, China’s prevention and control activities against imported cases of infection led to reports of strained diplomatic ties with traditional friends and allies like Russia and Africa. China, however, called this “a misleading hype” by the Western media.

To counter the “public opinion offensive” by the West, China went all out to guide international public opinion and convince the world to give the “problem solver” China more understanding, goodwill and trust. China’s rebuttals often made headlines due to their abrasive nature and intimidating/combatative tone, globally referred to as China’s “Wolf Warrior Diplomacy”. China clearly believes this is the need of the hour, given its enhanced global status and the inordinate criticism that it has had to face.

On the other hand, growing frustration with the “West” has seemingly led China to pin its hopes on the “East”. With the trend of counter-globalisation gaining currency worldwide, China has started thinking regional, particularly focusing on the East Asia region (Northeast Asia plus Southeast Asia). The Chinese media touted the special meeting between leaders of ASEAN Plus Three (China, Japan, and South Korea) on April 14, 2020 as a more successful multilateral meeting than this year’s G7 and G20 virtual meetings, as it not only affirmed willingness for regional cooperation but also chalked out a collective action plan to respond to the epidemic and pursue economic recovery.

However, China’s enthusiasm about the “East” proved rather short-lived. The news of Japan setting aside \$2.2 billion to help its manufacturers move production out of China led to the panic button being pressed over a potential

“de-Sinicisation” trend in global trade and a possible “exodus of foreign capital from China”. Although the Chinese media asserted that China’s status as the “world’s factory” is unshakable, there were voices warning that China should not remain complacent over its competitive edge in manufacturing and start preparing for the worst. A three-fold strategy was prescribed for this: guard against any strategic synergy between Europe, America and Japan to shape the global industrial chain; hedge against the strategy of the United States and other countries to re-capture the mid-end and high-end manufacturing business while keeping China contained to low-end labour-intensive industries; and utilise the window period when the rest of the world is still under the spell of the epidemic to promote Chinese enterprises so that they can quickly seize the domestic market share vacated by US, Japanese and European enterprises with alternative and upgraded products.

Meanwhile, a series of developments in the South China Sea, like the sinking of a Vietnamese fishing vessel allegedly by China Coast Guard (CCG) near the Xisha (Paracel) islands, announcement by China of two new districts to administer waters in the South China Sea, standardising the names for 25 islands and reefs as well as 55 undersea geographic entities, and Chinese warships, including the aircraft carrier Liaoning, conducting drills and exercises in the disputed waters, further exposed the fragile nature of China’s “East Asian Cooperation Model”.

In the realm of domestic affairs, the highlight of the month was the unblocking of Wuhan, the epicentre for COVID-19 pandemic, after 76 days of lockdown. China also announced that it will convene its most important political event for the year - the plenary session of the National People's Congress (NPC) and the annual session of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) - also known as the “Two sessions”, on May 21 and May 22 after a delay of almost two months. After last month’s emphasis on the opening up of transportation and resumption of businesses, China is now working on plans to restart schools and educational institutions. “Normalising Social and Economic life” has become the new mantra in China, which it believes will deliver the political capital required to deal with the adverse international situation.

India and China celebrated the 70th anniversary of the establishment of bilateral diplomatic ties this month. However, the mood in either country remained far from celebratory, due to the emergence of new sources of tension in bilateral ties against the backdrop of the epidemic, particularly discord over “faulty” testing kits from China, India’s new FDI norms for neighbouring states with which it shares borders, and the prospect of the relocation of some foreign investment from China to India.

## Foreign and Security Policy

### *China versus 'The West'*

China is alarmed by the deteriorating international public opinion environment and a rising tide of anti-China sentiment in the backdrop of the COVID-19 pandemic. The month saw global leaders like US President Donald Trump, French President Emmanuel Macron German Chancellor [Angela Merkel](#)<sup>1</sup> and British Foreign Secretary Dominic Raab publicly criticising and questioning China's handling of the Corona Virus in the crucial early days of the outbreak. [Australian Prime Minister](#) Scott Morrison<sup>2</sup> too proposed to conduct an "independent" inquiry into "the origin and spread" of the COVID-19 outbreak.

Apart from that, at least six lawsuits have been filed against China in US federal courts seeking damages for deaths, injuries and economic losses caused by the COVID-19 virus. Five of these lawsuits, filed in Florida, Nevada, California, Pennsylvania and Texas, are class-action suits filed on behalf of persons and businesses in the United States who have suffered damage, injury or loss due to the coronavirus outbreak. Missouri became the first US state to sue China on similar grounds on behalf of itself and its residents. Mississippi too indicated that it will follow suit. Several members of the US Congress, including Senator Tom Cotton and Josh Hawley have [reportedly](#) drafted legislation meant to strip China of its sovereign immunity for the act of concealment or distortion of information about the existence or nature of the coronavirus<sup>3</sup>. Other than the US, there have been reports that Codacons, the Italian consumers' association, has been evaluating possible class action against the Chinese government through US courts. Certain businesses and individuals in Italy are also believed to have filed lawsuits against China in their personal capacity. The international media too played an important role in this polarised debate on China, with German tabloid Bild producing a €149bn bill against China as corona virus damages.

China's state media played down the developments as selective outrage by the US and its core and five-eye allies and trashed the allegations levelled against China as "factually incorrect, legally untenable and morally unacceptable".

<sup>1</sup> Angela Merkel hits out at China's lack of 'transparency' as fury grows over coronavirus, The Guardian, April 21, 2020, <https://www.express.co.uk/news/uk/1271756/Coronavirus-latest-angela-merkel-china-virus-source-wuhan-blame>

<sup>2</sup> Morrison's adventurism could damage China-Australia relations beyond repair, Global Times, April 28, 2020, <https://www.globaltimes.cn/content/1187052.shtml>

<sup>3</sup> Suing China over the coronavirus won't help. Here's what can work, The Washington Post, April 24, 2020, <https://www.washingtonpost.com/opinions/2020/04/23/suing-china-over-coronavirus-wont-help-heres-what-can-work/>

Despite this, some sections within the Chinese strategic community advised against taking these charges lightly as they directly involve the issue of "state responsibility" and corresponding international compensation, which in other words, stands for not just loss of national credibility but also consequences no less than the responsibility of the losing party in a large-scale war. While some warned that these litigations can pose a legal threat to overseas Chinese assets in the future, others argued that recovering damages is the least priority for the claimant nations who, through these actions, seek to create an international atmosphere of lasting derogation against China, in a reprint of the Cold War format, and to force China to accept the existing world order and power relations even after the epidemic, a move similar to "Versailles" Peace Treaty after World War I.

"If divisions between China and the West continue to widen with no hope for a consensus, the existing international system can hardly be sustained. Two parallel systems may emerge, with China and Western countries developing their own, as systematic confrontations evolve into a new cold war, or even a hot war" warned an article in the Chinese media.

China is particularly concerned about the "malicious" anti-China forces joining hands to dig a discourse trap around the pandemic, slandering China's domestic anti-epidemic efforts and its contribution to the global fight against the pandemic, thereby discrediting China's image of a responsible big country. While admitting, that the Western democracies enjoy an unchallenged upper hand in the field of international public opinion and that China may not be able to beat that in a while, China has nevertheless undertaken a daunting task of running [a systemic project to guide international public opinion](#)<sup>4</sup> and convince the world to give "[problem solver](#)"<sup>5</sup> China more understanding, goodwill and trust.

In its pursuit to [strengthen the Chinese narrative](#) (中国叙事)<sup>6</sup>, China this month issued an [official timeline](#)<sup>7</sup> on how it has shared information and advanced international cooperation in the fight against the COVID-19 epidemic. Chinese think tanks published reams of propaganda material highlighting details about

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<sup>4</sup> 国际舆论场“中国声音”须强起来, Huanqiushibao, April 28, 2020, <https://opinion.huanqiu.com/article/9CaKrnKqIad>

<sup>5</sup> 世界应给“问题解决者”中国更多信赖, Huanqiushibao, April 13, 2020, <https://opinion.huanqiu.com/article/3xoSjrAaayp>

<sup>6</sup> 加强抗疫的“中国叙事”, Huanqiushibao, April 15, 2020, <https://opinion.huanqiu.com/article/9CaKrnKqtfW>

<sup>7</sup> China publishes timeline on COVID-19 information sharing, int'l cooperation, Xinhua, April 6, 2020, [http://www.xinhuanet.com/english/2020-04/06/c\\_138951662.htm](http://www.xinhuanet.com/english/2020-04/06/c_138951662.htm)



[China's anti-epidemic measures](#)<sup>8</sup>, and its [active participation in the global fight against the pandemic](#).

China further urged various sections of the Chinese society, from diplomats to medical staffs to volunteers, entrepreneurs, celebrities, media personalities; whoever have some sort of social appeal, to actively communicate the Chinese perspective and debunk all "rumours and stigmatisation" against China. It is understood that systematically explaining China's words, deeds and ideas in the fight against the epidemic can effectively reduce the space for the West to slander China and display a positive image for the country.

However, the Chinese counter-offensive often baffled the international community due to its abrasive nature and intimidating/combatative tone. Just as China's foreign ministry spokespersons Zhao Lijian made headlines last month by endorsing the conspiracy theory of the US bringing the corona virus to China, this month all focus was on Chinese Ambassador to Australia Cheng Jingye who threatened a mass boycott of Australian products and universities in China as a mark of protest against Australia's demand for independent investigations into the origin and spread of the virus. There were also [reports](#)<sup>9</sup> about Chinese diplomats threatening EU member states with dire consequences if certain passages criticising China's dealing with the epidemic were not deleted from the EU's report on COVID-19 Disinformation, which was released on April 27, 2020.

China's state media, on the other hand, locked horns with the media and media personalities from the US, Britain, France, to [Germany](#)<sup>10</sup>, [Japan](#)<sup>11</sup>, [Australia](#)<sup>12</sup>, accusing them of "peddling vulgar lies to defame China and discredit China's tremendous contribution to prevent the spread of the outbreak and protect the health and safety of people around the world" and calling them out as "ignorant, unscrupulous, shameless barking dogs."<sup>13</sup>

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<sup>8</sup> CIIS Releases the "China and the World" Report Series, No.1, CIIS, March 27, 2020, [http://www.ciis.org.cn/english/2020-03/27/content\\_41105793.html](http://www.ciis.org.cn/english/2020-03/27/content_41105793.html)

<sup>9</sup> China-EU ties remain pragmatic in pandemic, Global Times, April 27, 2020, <https://www.globaltimes.cn/content/1186946.shtml>

<sup>10</sup> 德国主流媒体为何一再传播谎言, Huanqiu Shibao, April 10, 2020, <https://opinion.huanqiu.com/article/3xlvLF2cdwm>

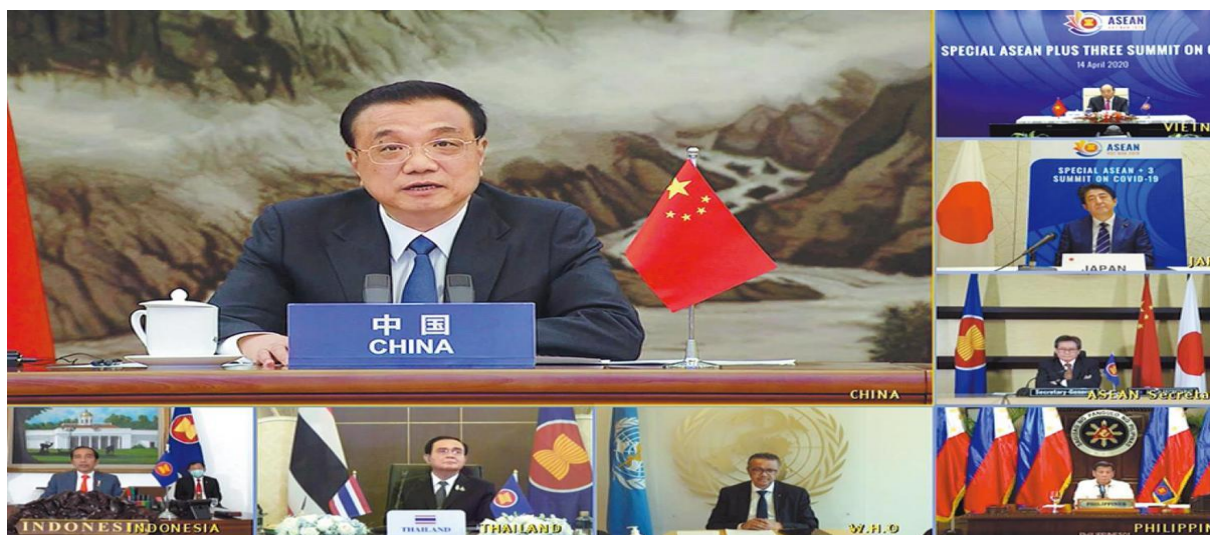
<sup>11</sup> 日本第一大报·我替你感到悲哀, Huanqiu Shibao, April 14, 2020, <https://opinion.huanqiu.com/article/3xpvw8iCDzH>

<sup>12</sup> 澳媒体人妖魔化中国成习惯·你永远无法叫醒装睡的人, Huanqiu Shibao, April 4, 2020, <https://opinion.huanqiu.com/article/3xhLmqx0jRQ>

<sup>13</sup> 低俗谎言诋毁中国·澳大利亚主持人职业道德刷下限, Huanqiu Shibao, April 4, 2020, <https://opinion.huanqiu.com/article/3xhLaAow30F>

Apart from the verbal duels, the Chinese propaganda machine strove to paint a picture of “[Old and Exhausted West](#)”<sup>14</sup> fighting not just the epidemic but also the “[senile disease](#)”<sup>15</sup> in terms of institutional arrangement, governance, leadership, industrial production capacity as well as technological capability. It was argued that the aging management mechanism together with widespread, long-term arrogance, laziness, and over-confidence have seriously damaged the competitiveness and productivity of the Western economies, who are fast falling behind their Chinese counterpart. “The golden age of the West is over, it is a spent force now, already past its prime - the epidemic has revealed this fact in a very cruel way” stated an [article](#) in the Chinese Press. China’s propaganda team also led a fierce attack on the free market economic model, as championed by the West, which they say, has failed these nations during the epidemic by causing an acute shortage of public goods like masks, protective clothing, and ventilators, exacerbating social inequalities and promoting ideas like [Social Darwinism](#)<sup>16</sup> etc., particularly due to its “selfish and profit seeking nature”. This, they argued, stood in striking contrast to the Chinese system which strives to save people’s lives and livelihood even within such debilitating crisis situation.

### *East Asian Regionalism*



*Chinese Premier Li Keqiang speaks with other ASEAN Plus Three leaders during a videoconference on COVID-19 pandemic response, April 14, 2020, Source: China Daily,*

<http://www.chinadaily.com.cn/a/202004/15/WS5e964506a3105d50a3d16349.html>

<sup>14</sup> Global cooperation will plug loopholes the US create, Global Times, April 29, 2020, <https://www.globaltimes.cn/content/1187163.shtml>

<sup>15</sup> 疫情让美国企业显“老”了, Huanqishibao, April 16, 2020, <https://opinion.huanqiu.com/article/9CaKrnKquG2>

<sup>16</sup> 全球抗疫背后, 资本的作用值得关注, Huanqishibao, April 15, 2020, <https://opinion.huanqiu.com/article/9CaKrnKqtfZ>

With its growing frustration with the “West”, China is increasingly pinning its hopes on a perceived ‘East’. As the trend of counter-globalisation gains currency worldwide, China has started thinking regional, particularly focusing on the East Asia region, where it enjoys close economic, social and historical ties. By [East Asia](#), it means a seamless integration of two sub regions Southeast Asia and Northeast Asia, comprising of countries like ASEAN Plus Three (China, Japan and South Korea), brought together as a “co-operative whole” first by the 1998 Asian Financial Crisis<sup>17</sup>. In recent months, the Chinese media has repeatedly emphasised how the epidemic has “defeated” the West and how the crisis response in the East Asia has been “[remarkable](#)”. Various articles and commentaries in the Chinese Press highlighted how the epidemic has facilitated a special kind of solidarity and a new round of cooperation between the countries in the region. The Chinese Media particularly upheld the special meeting held by ASEAN Plus Three leaders on April 14 as a more successful multilateral meeting than this year’s G7 and G20 as it not only expressed a willingness for cooperation but also chalked out a collective action plan to respond to the epidemic and pursue economic recovery, through measures like institution building, capacity building, financial guarantee for cooperation, and consolidating the regional foundation of the supply chain and industrial chain among others. What made the meeting particularly special is the issuance of a joint statement by the member states, the third such statement in the 23 year long history of the ASEAN Plus Three grouping. As per the Chinese assessment, the epidemic has indeed upgraded the East Asian Cooperation model and has further paved the way for establishment of a unified [regional security cooperation](#) mechanism<sup>18</sup>.

### *Ties with Russia, Africa*

This month China saw a significant surge in the number of imported cases in China’s northeast border provinces like Heilongjiang, Inner Mongolia and its export-hub Guangdong, which eventually complicated its diplomatic ties with traditional friends and allies like Russia and African nations.

Of late, Russia has emerged as the biggest source of imported infections in China with border towns like Suifanhe recording as high as 500 confirmed cases with travel history from [Russia](#)<sup>19</sup>. The Chinese population in Russia, far

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<sup>17</sup> 抗疫合作提升东亚区域整合进程, Huanqiushibao, April 20, 2020  
<https://opinion.huanqiu.com/article/3xuEcTJOcOT>

<sup>18</sup> 中日韩亟待深化公共安全合, Huanqiushibao, April 4, 2020  
<https://opinion.huanqiu.com/article/3xfIriaVlAb>

<sup>19</sup> 俄罗斯的警钟：外防输入一点不能松, Huanqiushibao, April 13, 2020,  
<https://opinion.huanqiu.com/article/3xoxNZBKPqL>

from convinced about Russia's handling of the epidemic situation within its borders, is rushing back to China. The trend has led to [friction](#)<sup>20</sup> between the people on either side of the border.

Chinese President Xi Jinping spoke over phone with Russian President Vladimir Putin [twice](#)<sup>21</sup> this month. The purpose was not only to address the issue of imported cases and rising discontent among people in China-Russia borders but also to affirm China-Russia friendship and garner Russia's support against what China calls a toxic trend of politicisation of the epidemic.

Meanwhile, China-Africa relations were also put to test this month with emergence of reports about [friction](#)<sup>22</sup> between local grass-roots prevention and control personnel and African nationals in China's Guangdong province. The development drew sharp [criticism](#)<sup>23</sup> from the international community with countries like Nigeria, Uganda and Ghana, together with the African Union, expressing "extreme concern" and urging corrective measures.

Chinese media claimed that there are multiple reasons behind such incidents, including cultural differences, different understanding of the pandemic, lack of knowledge about China's policies, language barriers, and most of all, misleading hype by some Western media outlets. It, however, urged the local Chinese population to maintain calm and not let external forces with vested interest drive a wedge between China and Africa.

### *China-India Relations*

Although China and India celebrated the 70th anniversary of the establishment of bilateral diplomatic relations this month, the mood in both countries was far from celebratory, due to the emergence of new sources of tension in bilateral ties in the backdrop of the epidemic.

On the one hand, Chinese media [appreciated](#)<sup>24</sup> the fact that despite the general anti-China sentiment in India, the Indian government so far has "not groundlessly attacked China over the epidemic. Neither has the Indian government openly chosen sides between China and the US, nor has it

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<sup>20</sup> 抗疫需要同情心,也需要同理心, Huanqiu Shibao, April 24, 2020

<https://opinion.huangniu.com/article/3xwpp2wzU5n>

<sup>21</sup> Xi-Putin call shows joint stance against politicizing pandemic, Global Times, April 17, 2020,

<https://www.globaltimes.cn/content/1185880.shtml>

<sup>22</sup> Anti-virus work won't disrupt China-Africa friendship: Global Times editorial, April 13, 2020, <https://www.globaltimes.cn/content/1185491.shtml>

<sup>23</sup> Western media's futile attempt to drive China, Africa apart, Global Times, April 17, 2020, <https://www.globaltimes.cn/content/1185940.shtml>

<sup>24</sup> Amid pandemic, it is not in India's interest to follow US rhetoric, Global Times, April 26, 2020, <https://www.globaltimes.cn/content/1186813.shtml>

officially asked China to pay compensation for the COVID-19 or apologize to the international community". However, differences with India emerged broadly on three fronts.

## I. "Faulty" Testing Kits

China fumed over Indian Council for Medical Research's (ICMR) decision to return the rapid antibody testing kits that India had procured from China over inaccurate results. The Chinese embassy in India said it was "[unfair and irresponsible](#)" to label Chinese products as "faulty" and look at issues with pre-emptive prejudice. It urged the Indian side to respect China's goodwill and sincerity, strengthen timely communication with relevant Chinese companies based on facts, and resolve differences reasonably and properly<sup>25</sup>.

To contextualise the Chinese reaction, it needs to be noted that lately there has been much debate and discussion within Chinese policy circles about whether the series of complaints about "faulty" Chinese anti-epidemic gears made by various recipient nations are genuine in nature or countries are deliberately being critical of Chinese products so as to use the epidemic as an opportunity to further their anti-China agenda. While there is a tacit [acknowledgement](#) of the fact that in the current epidemic situation in China, supply chain blockage has caused acute problems for Chinese manufacturers to maintain the balance between quality and quantity, nevertheless, the overwhelming consensus in Beijing remains that countries are raising the "quality" issue more from geo-political or geo-strategic considerations, with the objective to reduce their supply chain dependence on China or ensure the return of manufacturing industries back to their respective nations. And, hence the Chinese outrage<sup>26</sup>.

## II. Revision of FDI Laws

Alarmed over the reports of acquisition of over one per cent of shares of Indian financial giant HDFC by the People's Bank of China, the Indian government swiftly changed the FDI rules on April 20. Although India did not name China in the policy document, however, it was obvious that the move was aimed at preventing hostile takeovers of Indian firms by Chinese investors in a pandemic ravaged economy. On expected lines, China protested, arguing that the move was not in line with India's World Trade Organization (WTO) and

<sup>25</sup> Irresponsible to call Chinese test kits "faulty": Chinese Spokesperson, The Hindu, April 28, 2020, <https://www.thehindu.com/news/national/irresponsible-to-call-chinese-test-kits-faulty-chinese-spokesperson/article31449519.ece>

<sup>26</sup> 不要淡化也无须夸大那些“敌意”, Huanqiu Shibao, April 3, 2020, <https://opinion.huanqiu.com/article/9CaKmKqfUv>

other multilateral obligations. While highlighting that “the development of the Indian industries including mobile phones, household electrical appliances, auto and infra sector which have created jobs in India is due to the Chinese investments”, a statement issued by Chinese embassy in India, urged the Indian government to “revise relevant discriminatory practices, and treat investments from different countries equally. And foster an open, fair and equitable business environment.”<sup>27</sup> China’s state media too cautioned that the move will impair enthusiasm of Chinese investors in India, further harming the development of India's local industries in the absence of vibrant foreign capital inflows.

The Chinese reaction came at a time when it is becoming increasingly anxious about the pandemic exacerbating the trend of [re-nationalisation](#)<sup>28</sup>, counter-globalisation and protectionism across the world. Earlier this month Chinese investors faced similar pushback in countries like Germany, Australia and Czech Republic.

### III. Possible Relocation of Manufacturing Industries

China is certainly not happy about India making lavish preparations to woo businesses moving out of China. Various articles and commentary in the Chinese Press highlighted that India replacing China as a global manufacturing hub is no less than wishful thinking, that India does not yet have the right conditions to develop a complete industrial chain, and making India’s potential advantages to come into play, will be a time consuming and difficult task.

China’s overall assessment about India is that the country is on the verge of a major outbreak, even as the actual situation remains underreported. Under the current circumstances, it urged [India to take advantage of cooperation rather than pick a tussle with China.](#)

### Economy

Although economic data released during the month highlighted that after recording a giant fall of 6.8% in Q1, the Chinese economy is showing signs of

<sup>27</sup> China’s protest of India’s revised FDI Policy: A process of de-globalisation begins opine experts, April 22, 2020, Financial Express, <https://www.financialexpress.com/economy/chinas-protest-of-indias-revised-fdi-policy-a-process-of-de-globalisation-begins-opine-experts/1936163/>

<sup>28</sup>非常时期·美欧再启“国有化”药方, Huanqishibao, April 3, 2020, <https://opinion.huanqiu.com/article/3xfInLDzgfY>

rebound in the first month of the second quarter, however China's economic worries were far from over.

The news of Japan setting aside \$2.2 billion to help its manufacturers move production out of China raised alarms in China's power corridors. Is Japan's push to diversify its supply chain away from China just the beginning of a larger trend? Could this be followed by similar policies from the US, South Korea and other key trading partners of China in the future? What impact will it have on the Chinese economy, as foreign trade accounted for more than 30% of China's GDP? Will the coronavirus pandemic be a turning point for China's industrial chain development since its accession to the WTO? These were some of the questions that figured prominently in Chinese debates and discussions during the month.

The [Chinese Economy](#)<sup>29</sup> has already started to feel the pinch as external demand decreases drastically. Exporting enterprises in China reported immense difficulty in obtaining new orders, and even orders that have already been signed now stood cancelled. Closure of shopping malls has become more and more common. Retailers that are still operating are reducing their purchases in order to reduce sales and inventory pressure. On the other hand, export logistics costs and risks are increasing. As the US, Europe and other countries have tightened their shipping regulations, the number of international flights and even cargo flights have decreased significantly. Further, despite the backdrop of a sharp drop in crude oil prices, freight prices have skyrocketed. As a result, a large number of exporting companies in China are reportedly shutting shop.

Under such circumstances there is panic build-up in the society over a potential "de-Sinicisation" trend in global trade and "exodus of foreign capital from China". China's Ministry of Commerce, however, played down the developments, stressing that "China has not and will not have a large-scale foreign capital withdrawal". China's state media called the hype over "foreign investment leaving China" like another "wolf coming". They [argued](#)<sup>30</sup> that such hoaxes are not to be taken seriously as despite political assertions from various quarters, multinationals like Exxon, Mobil, Wal-Mart, Costco and Toyota are still looking at expanding their investments rather than de-coupling from China.

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<sup>29</sup>从“有限的全球化”中获益, Beijing Daily, April 27, 2020,

[http://views.ce.cn/view/ent/202004/27/t20200427\\_34788736.shtml](http://views.ce.cn/view/ent/202004/27/t20200427_34788736.shtml)

<sup>30</sup>小口罩, 打脸美政客“脱钩论”, Xinhua, April 29, 2020,

[http://views.ce.cn/view/ent/202004/29/t20200429\\_34808431.shtml](http://views.ce.cn/view/ent/202004/29/t20200429_34808431.shtml)

They argued that the [China' status as the "world factory" is difficult to shake](#)<sup>31</sup>. China is the only country that has all industrial categories listed in the United Nations industrial classification, contributing 30 percent of global manufacturing. All these factors indicate that no other country can completely replace China's role in the global supply chain. Some sections of the Chinese Press even warned that [shifting production out of China will be a big mistake for US and Japanese companies](#)<sup>32</sup> as the multinational corporations will not just lose out on the pie of the enormous Chinese market, but will lose their efficiency, competitiveness, influence on the markets of various other countries, leading to a potential collapse of the dollar system.

However, some voices within the Chinese strategic community cautioned against underestimating the recent developments around the global industrial chain, and staying complacent over China's competitive edge in manufacturing. They argued that it won't be business as usual any more, as after the epidemic, intense global manufacturing competition is inevitable. As the intentions of the countries attained clarity, more resources would be invested, and more powerful means employed to adjust the existing supply chain. For instance, governments across the world have already initiated the "re-nationalization" process which would certainly exert pressure on market players to force relevant companies to increase investment in their home countries. Secondly, multinational companies themselves have been actively taking risk diversification decisions from the perspective of supply chain security and strengthening the "China + X" investment model formed during the Sino-US trade war. Thirdly, the last two US administrations have had actively taken policies to stimulate the return of manufacturing industries, and it cannot be ruled out that persistent policy measures will gradually start generating effect. The Chinese strategy under such conditions is three-fold:

First, to guard against any strategic synergy between Europe, America and Japan to shape the global industrial chain. It is argued that since multinational companies owned by Europe, America and Japan constitute for majority of the multinational companies, if the three strategically coordinate to adjust the division of labour in the global industrial chain, or to decouple China from the world capitalist system, it will have a significant impact on the manufacturing landscape.

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<sup>31</sup>中国“世界工厂”的地位难以撼动, Huanqiu Shibao, April 14, 2020, <https://opinion.huangniu.com/article/3xpIVDfRYsE>

<sup>32</sup> Shifting production out of China would be a big mistake for US, Japanese companies, Global Times, April 13, 2020, <https://www.globaltimes.cn/content/1185500.shtml>



Secondly, to hedge against the strategy of the United States and other countries to re-capture the mid-end and high-end manufacturing business, while keeping China contained to low-end labour-intensive industries.

Thirdly, to utilise the [window period](#)<sup>33</sup> when the rest of the world is still under the spell of the epidemic for promotion of Chinese enterprises so that they can quickly seize the market share vacated in the Chinese market by US, Japanese and European enterprises with their alternative and upgraded products.

With the fall in international demand, [domestic demand](#)<sup>34</sup> has become the main battlefield for post epidemic recovery of the Chinese economy. Data released by the National Bureau of Statistics revealed that retail sales in China fell 15.8 percent year-on-year in March to 2.6 trillion Yuan (\$367.3 billion), although recovering from a 20.5-percent plunge in the first two months of 2020, yet much below the general [expectation](#)<sup>35</sup>. This led to heated debates and discussions in China's policy circles about the way forward.

It was argued that since January, the central and local governments have come up with various policies to help small and medium-sized enterprises to overcome difficulties and continue to provide protection for economic growth, employment of residents, and social stability. However, most such policies are in the form of tax and fee reduction and financial support plans which have helped enterprises to resume operations as soon as possible, but have done little to spur domestic demand. Chinese economists warn that if the demand side problems are not addressed in a timely and comprehensive manner, it may lead to excess commodities and more waste of resources. Already, there have been reports on worrying trends like funds meant for economic recovery illegally flowing into the [real-estate markets](#)<sup>36</sup> in individual regions in China, causing significant surge in housing prices.

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<sup>33</sup>美日欧制造企业回撤· 中企如何应对, Huanqiushibao, April 14, 2020, <https://opinion.huanqiu.com/article/3xpmVtZgbAl>

<sup>34</sup>畅通经济循环 助力中小企业渡难关, China Economic Daily, April 26, 2020, [http://views.ce.cn/view/ent/202004/26/t20200426\\_34779546.shtml](http://views.ce.cn/view/ent/202004/26/t20200426_34779546.shtml)

<sup>35</sup>莫过高期待“报复性消费”, Huanqiushibao, April 24, 2020, [http://views.ce.cn/view/ent/202004/29/t20200429\\_34808683.shtml](http://views.ce.cn/view/ent/202004/29/t20200429_34808683.shtml)

<sup>36</sup>不能让“天价喝茶费”冲撞房住不炒红线, China Youth Daily, April 22, 2020, [http://views.ce.cn/view/ent/202004/22/t20200422\\_34748240.shtml](http://views.ce.cn/view/ent/202004/22/t20200422_34748240.shtml)

## Defence



China announced two new districts to administer waters in the South China Sea, April 18, 2020, Source: Global Times, <https://www.globaltimes.cn/content/1186084.shtml>

As the politics over the pandemic intensified at the global level, new ripples could be seen in the waters of the South China Sea.

The incident of sinking of a Vietnamese fishing vessel allegedly by the China Coast Guard (CCG) near Xisha (Paracel) island in the South China Sea on April 2 attracted international attention. The US argued that China's action is meant to "assert unlawful maritime claims and disadvantage its Southeast Asian neighbours in the South China Sea," while China accused the US of driving a wedge between China and Vietnam and interfering in the South China Sea issue. Meanwhile, China's state media also [rebuked](#) Vietnam for "colluding with the US, for demanding compensation for the incident and stoking anti-China sentiment"<sup>37</sup>.

Soon, on April 18, China announced that the city of Sansha in South China's Hainan Province will have two new districts to administer waters in the South China Sea - Xisha District to administer the Xisha and Zhongsha islands and surrounding waters with government located in Yongxing Island; while Nansha District to have jurisdiction over the Nansha Islands and its waters with government located in the Yongshu Isles. On April 19, China further

<sup>37</sup> Why Vietnam intrudes the South China Sea at this juncture?, Global Times, April 11, 2020, <https://www.globaltimes.cn/content/1185310.shtml>

[standardised](#)<sup>38</sup> names for 25 islands and reefs as well as 55 undersea geographic entities in the South China Sea, reaffirming China's sovereignty in the region.

As Vietnam lodged a formal protest against China for its setting up of new administrative units on islands in the South China Sea, China's foreign Ministry (April 21) [stated](#) that "any attempt to deny China's sovereignty in South China Sea is doomed to fail."<sup>39</sup>

On the other hand, there were [reports](#) about Chinese warships, including the aircraft carrier Liaoning, passing through the strategically significant Miyako Strait and Bashi Channel for entering the South China Sea for exercises sometime in mid-April<sup>40</sup>. Before that the Chinese People's Liberation Army (PLA) Navy conducted [combat-oriented drills](#) featuring surface vessels, submarines and fighter jets in the South China Sea in late March<sup>41</sup>.

As the new round of Chinese activism in the South China Sea caused widespread speculation about China exploiting the absence of US aircraft carriers in the South China Sea due to the COVID-19 and intending to reunify Taiwan by force, China's state media clarified that the actions were meant to warn its adversaries in Washington and Taipei that China's military strength remains unaffected by the pandemic.

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<sup>38</sup> Names of islands, reefs in South China Sea released, Global Times April 19, 2020, <https://www.globaltimes.cn/content/1186084.shtml>

<sup>39</sup> Attempts to deny China's sovereignty in South China Sea doomed to fail: Chinese FM, Global Times, April 21, 2020, <https://www.globaltimes.cn/content/1186331.shtml>

<sup>40</sup> Chinese aircraft carrier Liaoning conducts exercises in South China Sea: PLA Navy spokesperson, Global Times, April 13, 2020, <https://www.globaltimes.cn/content/1185471.shtml>

<sup>41</sup> Chinese Navy holds drills amid US violation, Global Times, April 2, 2020, <https://www.globaltimes.cn/content/1184586.shtml>

## Internal Security



*After 76 days of lockdown, Wuhan in Central China's Hubei Province started lifting outbound travel restrictions from April 8, 2020, Source: China Daily, <https://www.chinadailyhk.com/article/126980>*

The highlight of the month was the [Unblocking of Wuhan](#), the epicentre of the COVID-19 pandemic after 76 days of lockdown. However, the lockdown was lifted on a very cautious note, emphasising that "zero infection does not mean zero risk, and lifting the lockdown does not mean putting the guard down." Chinese media repeatedly emphasised that the Chinese society should learn to "coexist with the virus while avoiding large scale outbreaks".

At the political level, General Secretary Xi Jinping inspected Shaanxi Province on April 20, providing a big push to China's poverty alleviation goals. China also announced that it will convene its most important political event for the year - the plenary session of the National People's Congress (NPC) and the annual session of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) - also known as the "Two sessions" (全国两会), on May 21 and May 22 after a delay of almost two months<sup>42</sup>. During the same time, Beijing, Tianjin and Hebei announced that these regions would lower

<sup>42</sup> China turns a page with two sessions to convene in May: Global Times editorial, Global Times, April 29, 2020, <https://www.globaltimes.cn/content/1187162.shtml>

their emergency response to the COVID-19 epidemic from the top level to the second one. Further, Beijing will reportedly remove quarantine requirements for visitors from low-risk parts of the country. The developments are projected as "milestones", demonstrating that China has firmly controlled the epidemic and restarted a "normal social and economic life".

Normalising Social and Economic life has become the new mantra in China, which it believes, will provide the political capital required to deal with adverse international situation. After the initial emphasis on opening of transportation and resumption of businesses, China is now working on plans to restart schools and educational institutions<sup>43</sup>.

Overall, at the domestic level, China is working on four priorities, first, enhancing the infrastructure for disease prevention and control, second, ensuring China's resumption of work and production rate remains the highest in the world, thirdly, promoting the comprehensive development of the country through reforms and development and fourthly, building up its ability to cope with large international uncertainties in a post-COVID era.

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<sup>43</sup>武汉解封·把高难度拆解为可控性, Huanqiu Shibao, April 7, 2020  
<https://opinion.huanqiu.com/article/3xjzdfyV3Yn>



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