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**Semiconductor Scandal A Concerning Backdrop to Xi's Pursuit of  
"Core Technologies"**

*By Elizabeth Chen*

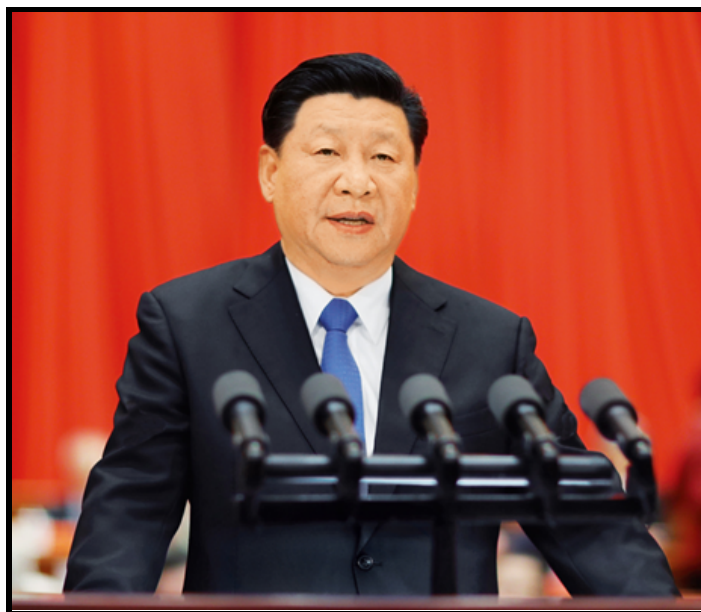
**Introduction**

China's leadership has signaled the country's dedication towards pursuing self-sufficiency in "core technologies" including integrated circuits. During the Fifth Plenum last fall, the Chinese Communist Party (CCP) reinforced its belief in innovation being the core driver of China's continuing development and pursuing a high-tech transformation of the manufacturing sector. The impetus for this structural transformation of the

economy was first established in the 2006 Medium and Long Term Plan for Science and Technology and emphasized in the 13th Five Year Plan (2016-2020). The 14th Five Year Plan (FYP) (2021-2025), unveiled on March 5 during the annual legislative Two Sessions meetings, described technology innovation as a matter of national security, not just economic development, for the first time. This represents the increasing perception that technology is a battleground for competition with the West, following U.S. actions against Chinese companies such as ZTE, Huawei and Bytedance, which began in 2018 and escalated last year.

During his presentation of the annual Government Work Report to the National People's Congress, Premier Li Keqiang (李克强) targeted integrated circuits as one of seven technology areas that will require "major breakthroughs in core technologies" ([Gov.cn](http://gov.cn), March 5). And although the 14th FYP did not include an explicit benchmark for annual GDP growth, Li committed to growing China's spending on research and development (R&D) at 7 percent per year during the 14th FYP, with basic research expenditures at the central level to increase by 10.6 percent ([China Money Network](http://china.money.network), March 9).[1] China's three previous FYPs targeted R&D spending at 2 percent, 2.2 percent, and 2.5 percent of GDP during the 11th, 12th, and 13th FYPs respectively, although it consistently fell short of reaching these goals.[2]

Following the close of the Two Sessions, the CCP's top theoretical journal *Qiushi* (求是) published a previously unreleased 2018 speech by Chinese President and CCP General Secretary Xi Jinping (习近平) on state reforms aimed at achieving indigenous innovation capacity, titled "Strive to Become the World's Primary Center for Science and High Ground for Innovation" (努力成为世界主要科学中心和创新高地, *nuli chengwei shijie zhuyao kexue zhongxin he chuangxin gaodi*). While the speech showed the 14th FYP's prioritization of indigenous innovation (自主创新, *zizhu chuangxin*) to be in line with previous Xi-driven strategies to promote technological development, it also bluntly stated that there were "significant problems urgently in need of solutions" in China's science and technology sector. In particular, Xi highlighted persistent shortcomings in basic research, saying, "We lack major original achievements. We have weak low-level basic technology and basic industrial capabilities," and that "Our situation in which key and core technologies are controlled by others, has not fundamentally changed." Xi also highlighted continuing deficiencies in developing talent and said that "China's S&T administrative structure still fails to fully meet the requirements for building a world S&T superpower" ([DigiChina](http://digi.china), March 18; [Qiushi](http://qiushi.net), March 15). Xi's comments show the continuing difficulties that plague China's efforts to become an advanced industrial economy, which are encapsulated by the problems facing China's development of an indigenous semiconductor industry.



*Image: Chinese President Xi Jinping gives a keynote speech to the 19<sup>th</sup> Conference of the Chinese Academy of Sciences and the 13th Conference of the Chinese Academy of Engineering in Beijing on May 28, 2018. Xi's full speech from this event was published in the CCP journal Qiushi on March 15, 2021 (Image source: [Xinhua/Ju Peng](#)).*

### **Chinese Semiconductors After Made in China 2025**

Integrated circuits (IC)—often referred to interchangeably as semiconductors—power the supercomputers that control global finance markets and cutting-edge defense systems and underpin many of today's strategically important emerging technologies such as artificial intelligence, 5G, autonomous drones, and surveillance networks. China has been the largest state consumer of ICs since 2005, but Chinese companies have long been under-represented in domestic IC production. It is thus important to distinguish between the wider IC market in China—which includes so-called “fabless” foreign semiconductor companies such as Qualcomm, Intel, SK Hynix, Samsung, and Taiwan Semiconductor Manufacturing Corporation (TSMC) that manufacture within China—and indigenous semiconductor production. In 2020, about one-third of the total global IC market was made in China. But only 15.9 percent of China's IC market (representing 5.9 percent of the global IC market) was manufactured by indigenous producers ([IC Insights](#), January 6). China's growing demand for IC products is also likely to compound this problem as it increasingly outpaces the indigenous producer's ability to supply ([SCMP](#), May 22, 2020).

China's pursuit of technological “self-reliance” (自力更生, *zili gengsheng*) in semiconductors began as early as 1986 with the launch of the “531 Development Plan” and was revitalized in 2014 when the State Council released its “Guideline for the Promotion of the Development of the National Integrated Circuit Industry” (hereafter “Guideline”) and established a \$50 billion China National Integrated Circuit Industry Investment

Fund to develop the domestic chip supply chain ([WTO.org](https://www.wto.org), accessed March 24; [Macropolo](https://www.macropolo.com), September 10, 2019). The Guideline set an ambitious goal for China to become a global leader across all segments of the semiconductor supply chain by 2030. This priority was boosted by the release of the Made in China 2025 (MIC2025, 中国制造, *zhongguo zhizao*) industrial plan in 2015, which sought to more broadly upgrade China's manufacturing capability and set a goal for China to indigenously produce 70 percent of its IC market by 2020 ([The Diplomat](https://www.thediplomat.com), February 1, 2019). But the implementation of MIC2025 was beset by problems, particularly in the complex IC sector. Although China Daily reported last year that the Chinese IC industry was on track to reach 70 percent self-sufficiency by 2025 ([China Daily](https://www.chinadaily.com), August 20, 2020), foreign industry analysts forecast that it would fall far short of its MIC2025 goal and would more likely produce about 19.4 percent of the Chinese IC market in 2025 ([IC Insights](https://www.icinsights.com), January 6).

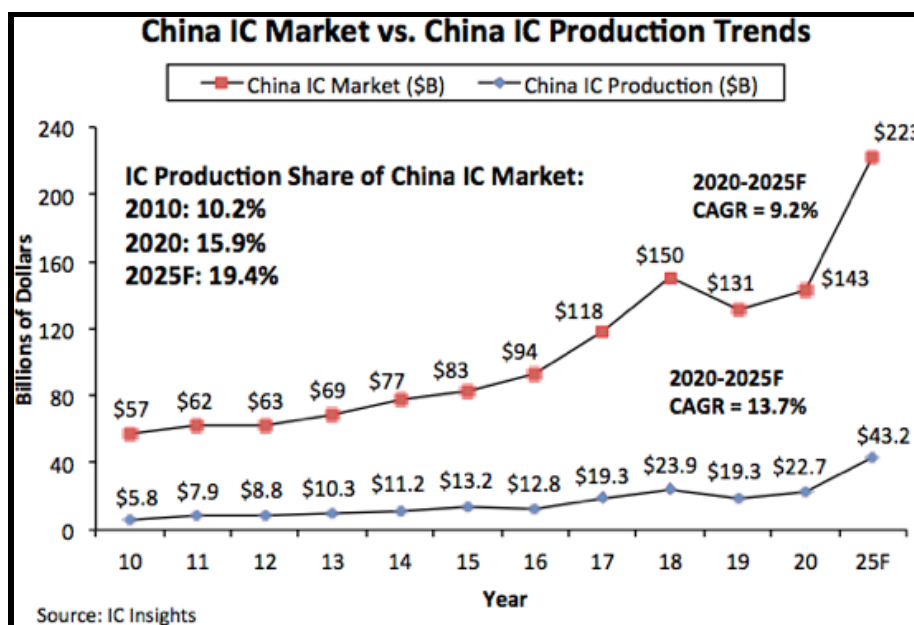


Image: The graph shows the lag between China's indigenous IC production capability and its overall IC market (Image source: [IC Insights](https://www.icinsights.com)).

Another indicator of China's comparative IC weakness is its failure to produce the most advanced chips. Because of the complexity and expense of semiconductor manufacturing equipment (SME), only a few chip makers (or "fabs") in the world can produce state-of-the-art chips with transistors that measure 5 nanometers (nm). All of these factories are currently located in either the U.S., South Korea, or Taiwan. In comparison, China's top chipmaker Semiconductor Manufacturing International Corporation (SMIC) is currently manufactures chips with 14nm transistors, and industry analysts estimate that China's chip manufacturing capability is at least two generations (7-10 years) behind current state-of-the-art levels of production ([East Asia Forum](https://www.eastasiaforum.org), February 22).[3] Demonstrating this gap, China imported \$350 billion worth of chips in 2020, marking an increase of 14.6 percent even as total IC output increased by 16.2 percent ([SCMP](https://www.scmp.com), January 19).

The state's top-down drive towards IC self-sufficiency also aims to make up gaps in so-called third-generation chip making—an emerging field with no established incumbents—as well as electronic design automation (EDA) tools and chipmaking technologies currently dominated by companies such as Cadence, Synopsys, and ASML Holding ([Bloomberg](#), March 2). Businesses have been quick to capitalize off of the state's priority to secure an indigenous IC industry—and overflowing funds for development. In 2020 alone, more than 22,000 new semiconductor companies were registered in China and existing platform companies, smartphone makers, and even smart home appliance brands have rolled out semiconductor side businesses ([Protocol](#), March 13).

### **The Warnings of Hongxin and HiSilicon**

Two recent scandals serve as a warning as China's semiconductor hopefuls forge ahead. The first highlights the vulnerabilities of even China's strongest technology companies to international supply chain ruptures. After U.S. export controls prevented the Chinese smartphone and telecommunications infrastructure company Huawei from sourcing cutting-edge 7nm Kirin 9000 chips (produced by the Taiwanese TSMC) last fall, Huawei was forced to delay the release of its prestige P50 smart phone series and sell its Honor smart phone brand “to ensure [Honor's] survival” ([The Verge](#), November 16, 2020). Recent news reports have said that Huawei's semiconductor branch HiSilicon may have reached an agreement to manufacture modified Kirin chips with Samsung in the near future, but new 5G export restrictions from the U.S. could impact this deal as well ([Gizmochina.com](#), March 20; [SCMP](#), March 12).

The second demonstrates the dangers of the Chinese state's massive investment in indigenous semiconductor start-ups. Hongxin Semiconductor Manufacturing Corporation (HSMC) shut down abruptly in February following revelations that the once-promising start-up—which had received \$18.5 billion in investments from the Wuhan city government—had deceived employees, failed to pay suppliers and grossly exaggerated its technological capacity to secure government support. At one time, HSMC's founders promised officials that it could produce 90 micron to 7nm chips—a process that would span 13 generations of chip-making and was literally too good to be true ([Caixin](#), February 27). An investigation found that HSMC's founders—who had no previous semiconductor experience—had leveraged rumors about their high connections to secure large amounts of funding and use that to lure well-established talent from Taiwan, then purchased cutting-edge factory equipment with the aid of more government loans and subsidies. It was in effect a multi-layered con job that adroitly played off of the local government's desire to develop a localized semiconductor company and failure to ensure the accountability of its easy investments ([China Money Network](#), January 29).





*Image: A picture of HSMC factory construction in Wuhan on pause after the company went bankrupt (Image source: [Jiemian](#)).*

## Conclusion

These high-profile scandals notwithstanding, China has continued to double down on its drive to secure an indigenous semiconductor capability. In the first two months of 2021, more than 4,350 new semiconductor companies were created ([Protocol](#), March 13). It is likely that Xi's renewed call to develop a resilient indigenous IC industry will drive even more to enter the market. But as past experience has shown, the process will require both talent and time—both of which are currently lacking—and cannot just be achieved by implementing top-down exhortations for progress and massive injections of capital. If China fails to build out a robust regulatory framework to ensure accountability and transparency in its semiconductor buildup, or, failing that, to develop other alternatives to securing its IC supply chains, it is likely that it will see more semiconductor scandals to come.

## Notes

[1] The exclusion of an explicit GDP growth target in the 14th FYP is intended to give Beijing more policy flexibility to cope with global uncertainties in a “new era” while also providing space for the central government to target long-needed structural reforms aimed at addressing problems such as corporate debt, a shrinking labor population and persistent state over-investment ([SCMP](#), March 8).

[2] See: Katherine Koleski, “Appendix II: Key Targets in China’s 11th, 12th, and 13th FYPs” in *The 13th Five-Year Plan*, Staff Research Report prepared for the U.S.-China Economic and Security Review Commission, February 14, 2017,

[https://www.uscc.gov/sites/default/files/Research/The%2013th%20Five-Year%20Plan\\_Final\\_2.14.17\\_Update\\_d%20\(002\).pdf](https://www.uscc.gov/sites/default/files/Research/The%2013th%20Five-Year%20Plan_Final_2.14.17_Update_d%20(002).pdf).

[3] Saif M. Khan and Carrick Flynn, "Maintaining China's Dependence on Democracies for Advanced Computer Chips," CSET, April 2020, <https://cset.georgetown.edu/wp-content/uploads/Khan-Flynn%E2%80%94Maintaining-Chinas-Dependence-on-Democracies.pdf>.

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## **China's 2027 Goal Marks the PLA's Centennial, Not an Expedited Military Modernization**

*By Brian Hart, Bonnie S. Glaser and Matthew P. Funaiole*

### **Introduction**

China has added a new short-term milestone to its existing slate of military modernization goals. While noteworthy in its own right, the new benchmark is not a sign that China is sprinting to basically complete the modernization of the People's Liberation Army (PLA) ahead of the 2035 target set by President Xi Jinping (习近平).

At the recently concluded annual meeting of the National People's Congress (NPC), China codified a new military modernization goal into its national development blueprint. Buried in Part 16 of the lengthy "14<sup>th</sup> Five-Year Plan [FYP] for National Economic and Social Development and Long-Range Objectives for 2035" is a call for China to "ensure the achievement of the 2027 centennial military building goal" (确保2027年实现建军百年奋斗目标, *quebao 2027 nian shixian jianjun bainian fendou mubiao*) ([Xinhua](#), March 13). This new milestone, (hereinafter referred to as the "2027 goal") marks the 100th anniversary of the founding of the PLA on August 1, 1927.

The Chinese Communist Party (CCP) first unveiled the 2027 goal in October 2020 during the 5th Plenum of the 19th Central Committee. It was included in the Central Committee's proposal on drawing up the 14th FYP, and the language of the proposal was incorporated directly into the FYP ([Xinhua](#), November 3, 2020). The 2027 goal joins a string of existing military modernization goals—namely that China will "basically complete national defense and military modernization by 2035" and possess a "world-class military by mid-century" ([Xinhua](#), October 18, 2017).





*Image: Marching soldiers wave the CCP flag, national flag, and military flag during a National Day military parade in Beijing on October 1, 2019 (Image source: [Xinhua](#)).*

The new 2027 goal sparked a flurry of claims that China had moved forward its goal of achieving military modernization from 2035 to 2027. In India, the *Hindustan Times* reported that the CCP had “finali[z]ed plans to build a fully modern military on par with the United States by 2027” ([Hindustan Times](#), November 1, 2020). United States media reports claimed that China has “accelerated its timeline” for modernizing the PLA ([Politico](#), March 15). Even former Australian Prime Minister Kevin Rudd, a widely respected China hand, stated categorically that “Beijing now intends to complete its military modernization program by 2027” ([Foreign Affairs](#), March/April).

These assertions are not backed by evidence. Authoritative Chinese sources indicate that the 2027 goal is not a call for the PLA to become fully modern—or on par with the U.S. military—in just seven years. Instead, the 2027 goal is a new short-term marker for ensuring that China’s military modernization campaign continues to progress along the CCP’s long-established roadmap. Importantly, it also serves as a major propaganda tool and a reminder to the international community of China’s growing power.

### **An Update to the “Three-Step Development Strategy” for Defense Modernization**

In recent decades, China has pursued a three-step development strategy (三步走发展战略, *san bu zou fazhan zhanlüe*) for military modernization.[1] This development strategy has evolved over time as leaders have made adjustments, but it has consistently included three components. In 1997, President Jiang Zemin (江泽民) articulated a “cross-century strategic goal” for modernizing the military in three stages:

- **Step One** (1997–2010): streamline and reduce the number of military personnel, establish a more efficient structure and acquire advanced equipment and weaponry suitable for combat under high-technology conditions.
- **Step Two** (2010–2020): utilize growing defense expenditure to significantly enhance the quality of the armed forces through the development of more advanced equipment and weaponry.
- **Step Three** (2020–mid-century): realize modernization of national defense and the armed forces “by the century’s mid-point” ([Selected Works of Jiang Zemin](#), Volume II, 2006).

Under President Hu Jintao (胡锦涛), the Chinese government added details to the first and third steps of this modernization framework.[2] Both updates highlighted the importance of “informatization” (信息化, *xinxihua*), which involves enhancing the application of information technologies to improve military capabilities. China’s 2006 defense white paper clarified the third step of modernization, stating that, “by the middle of the twenty-first century, the strategic goal of building an informatized army and winning informatized wars will be basically achieved” ([Ministry of National Defense](#), December 2006). In his speech at the 18th Party Congress in 2012, Hu further added to the first step, calling for China to “basically complete military mechanization and make major progress in informatization by 2020.” ([Xinhua](#), November 17, 2017).

Five years after coming to power, Xi Jinping put forward a new three-step arrangement that adapted the framework developed and elaborated on by Jiang Zemin and Hu Jintao ([People’s Daily](#), November 3, 2017). In his report at the 19th Party Congress, Xi called for achieving mechanization (机械化, *jixiehua*) and making major progress toward informatization by 2020 in the first step—the same goal articulated by Hu. However, steps two and three saw notable shifts. In the second step China would basically complete national defense and military modernization by 2035, and in the third step China’s military would be “fully transformed into a world-class military by mid-century” ([Xinhua](#), October 18, 2017).

The new 2027 goal represents a modification—not a timeline compression—of Xi’s three-step arrangement. With 2020 having come and gone, the first phase was deemed completed ([PLA Daily](#), November 26, 2020). Maintaining a three-step arrangement thus required establishing a new short-term goal. Xi made clear that a three-step arrangement is still in place during a meeting with PLA and People’s Armed Police delegates of the NPC, stating that 2021 marked the starting point for the new three-step arrangement for defense modernization ([Xinhua](#), March 9). The final text of the 14th FYP, published days after Xi’s statements, further confirmed this: the document listed “basically achieving modernization of national defense and the military” among its goals for 2035 ([Xinhua](#), March 13).



*Image: Xi Jinping delivers a speech at the plenary meeting of the PLA and People's Armed Police delegations at the Fourth Session of the 13th National People's Congress on March 9 Image source: [Xinhua/Li Gang](#)).*

Less authoritative but nonetheless illuminating statements by Senior Colonel Li Haitao (李海涛) of China's National Defense University provide additional clarification. Li writes that the 2027 goal "spreads out the blueprint for the development of a strong army in the new era," forming a new three-step arrangement with 2027, 2035 and mid-century delineating each step of development ([Ministry of National Defense](#), December 14, 2020).

These statements make clear that the 2027 goal does not represent the scrapping of China's existing timetable for defense modernization. Rather, it is the latest adjustment to a framework that has evolved steadily over the last two decades.

#### **Four Elements of the 2027 Goal**

Although the 2027 goal does not reset the schedule for military modernization, it does signal that the next seven years will be an important period in China's military development strategy. Ministry of National Defense spokesperson Ren Guoqiang (任国强) described the following four key elements of the new benchmark. ([Xinhua](#), November 26, 2020). These are not new facets of China's military modernization, but a brief examination of these components provides useful context.

1. **“Accelerating the integrated development of mechanization, informatization and intelligentization.”** Having achieved basic mechanization of the PLA and major strides toward informatization, a crucial focus over the next seven years will be integrating these developments with improvements in “intelligentization” (智能化, *zhinenghua*). Xi Jinping has identified intelligentization, the integration of artificial intelligence and related technologies into military assets, as a major component of military modernization going forward ([China Brief](#), April 9, 2019).
2. **“Accelerating the modernization of military doctrine, organizational form, military personnel and weapons and equipment.”** These elements have long been among the most important aspects of defense modernization. Under Xi Jinping, the PLA has already undergone historic organizational reforms and force structure adjustments. Additional measures could be on the horizon.
3. **“Adhering to quality first and prioritizing efficiency.”** This component is intended to emphasize the need to make efficient use of resources in order to maximize the quality and pace of modernization. Ren specifically notes that the world is witnessing the acceleration of “major changes unseen in a century” (百年未有之大变局, *bainian wei you zhi da bianju*), making defense modernization more pressing. Notably, this third element is linked to the fourth element (below), as efforts to integrate economic and security strategies aim to facilitate greater efficiency in areas like research and development.
4. **“Promoting the simultaneous improvement of national defense strength and economic strength.”** The CCP’s strategy of military-civil fusion (MCF, 军民融合, *junmin ronghe*) aims to make major strides in this area. The U.S. Department of Defense describes the MCF strategy as “a nationwide endeavor that seeks to ‘fuse’ [China’s] economic and social development strategies with its security strategies” ([U.S. Department of Defense](#), September 1, 2020). Owing to prioritization at the highest levels, the implementation of policies promoting MCF has accelerated significantly in recent years ([China Brief](#), October 8, 2019). MCF is likely to remain a key priority going forward.

### **Xi’s Legacy of Building a Strong Army**

The 2027 goal is also a powerful propaganda tool. The CCP has frequently set major goals to coincide with anniversaries of historic milestones. The most notable of these are the “two centennial goals” (两个一百年奋斗目标, *liang ge yibai nian fendou mubiao*), which were outlined in Xi Jinping’s report to the 19th Party Congress. The first centennial goal seeks to “build a moderately prosperous society in all respects” by 2021, the hundred-year anniversary of the founding of the CCP. The second goal aims to “build a modern socialist

country that is prosperous, strong, democratic, culturally advanced and harmonious” by 2049, the centennial of the founding of the People’s Republic of China ([Xinhua](#), October 18, 2017).

As part of the 2021 centennial goal, Xi Jinping made eradicating extreme poverty a top priority of his administration. In February 2021, Xi triumphantly declared “complete victory” in eliminating poverty ([Xinhua](#), February 26). This served as a powerful demonstration of strength and legitimacy for the party and for Xi personally—both at home and abroad.

Similarly, linking the new 2027 goal to the anniversary of the PLA’s founding is intended to boost the party’s image and Xi’s legacy. Celebrations of the 100th anniversary of the PLA’s founding in August 2027 will undoubtedly be a major spectacle, likely involving a military parade in Beijing’s Tiananmen Square. Importantly, these events will occur just a few weeks before the CCP’s 21st Party Congress. Assuming Xi serves a third term as CCP General Secretary from 2022 to 2027—which is widely anticipated—he will either be capping off his time as China’s leader or embarking on an unprecedented fourth term. Regardless, the celebration of the 2027 goal will be a powerful display of Xi Jinping’s achievements.

This is especially true given that military modernization has been a highly visible priority for Xi. Since rising to power in 2012, Xi has put forward a series of guiding thoughts (指导思想, *zhidao sixiang*) on the importance of military modernization to achieving China’s long-term goals for national rejuvenation ([People’s Daily](#), August 13, 2018). The CCP’s propaganda apparatus has packaged these together into an eponymous thought known as “Xi Jinping Thought on Strengthening the Military” (习近平强军思想, *Xi Jinping qiangjun sixiang*). The result is a direct linkage between Xi’s personal legacy and China’s ongoing military modernization campaign.

### **Conclusion**

The announcement of the 2027 goal sets a new milestone and lays out priorities for the sustainment of military modernization over the next seven years. This is important because China’s ability to achieve mid-term and long-term modernization goals for 2035 and mid-century is predicated on progress made in the short-term.

The goal is also a symbolic message aimed at both domestic and international audiences. At home, it serves as a powerful propaganda device for the CCP and an important tool for shoring up Xi Jinping’s legacy. Abroad, it sends a clear message that military modernization remains a pressing and important priority for China’s leaders. However, the 2027 goal is not a shortening of the modernization timeline. Statements by Chinese officials make clear that the established goals for achieving modernization by 2035 and developing a “world-class military” by mid-century remain fully intact.



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## **Notes**

[1] China has also employed a “three-step development strategy” in other areas. For example, Deng Xiaoping (邓小平) set out a three-step strategy for overall economic development ([People's Daily](#), March 7, 2019). Additionally, the State Council’s “Outline of the National Innovation-Driven Development Strategy” established a three-step arrangement for becoming a “world scientific and technological power” (世界科技创新强国, *shijie keji chuangxin qiangguo*) by 2050 ([Xinhua](#), May 19, 2016).

[2] Informatization was made a priority for defense modernization under the leadership of Jiang Zemin, but defense white papers did not explicitly incorporate it into the three-step development strategy until the 2006 white paper.

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## **China and the Myanmar Junta: A Marriage of Convenience**

*By Sudha Ramachandran*

### **Introduction**

On February 1, the Myanmar military (also known as the Tatmadaw) staged a coup to overthrow the democratically elected National League for Democracy (NLD) government and subsequently imposed a year-long state of emergency. NLD leaders, including State Counsellor Aung San Suu Kyi and President Win Myint, have been detained along with thousands of pro-democracy activists ([Mizzima](#), February 1). Several countries like the United States condemned the coup and expressed “deep concern” about the situation ([Scroll](#), February 1). In comparison, China’s response has been rather muted. The state-run Xinhua news agency referred to the coup as “a major cabinet reshuffle” and neither condemned nor expressed concern about the unfolding events ([Xinhua](#), February 2). The Chinese Foreign Ministry merely said that all parties should “properly handle their differences” and “maintain political and social stability” ([PRC Ministry of Foreign Affairs](#), February 3). China blocked a United Nations (UN) Security Council statement condemning the coup and refused to criticize the human rights situation at the UN Human Rights Council, saying, “What happens in Myanmar is essentially Myanmar’s internal affairs” ([India Today](#), February 3; [The Irrawaddy](#), February 13).

China is Myanmar’s top trade partner and second-largest investor. It is widely expected to maintain normal bilateral relations with the junta, as it did during the 1988-2010 period of military rule. However, the road ahead for Beijing is not without challenges. The Tatmadaw’s relationship with China has never been simple, and its suspicions of China’s intentions remain strong. An examination of the relationship between the two during previous periods of military rule provides insights into what may lie ahead.

### **Suspicion of Chinese Intentions**

The Tatmadaw is a highly nationalist force that sees itself as the custodian of Myanmar’s unity and territorial integrity. As a result, it is wary of foreigners and particularly suspicious of China, given the much larger neighboring country’s role in the many armed insurgencies—communist and ethnic—that have wracked Myanmar for decades. Until the late 1980s, the Chinese government provided political and material support, training, strategic advice and even fighters to the Communist Party of Burma (CPB).[1] This had a significant impact on the Tatmadaw’s perception of China. Senior generals believed that “the China-backed CPB insurgency” (1948-1989) jeopardized Myanmar’s sovereignty.[2] Chinese support to the CPB fueled later ethnic insurgencies in Myanmar as well, because most of the CPB cadres were drawn from alienated ethnic groups such as the Kachin, Shan, Wa, and Kokang living in the Sino-Myanmar border regions. After the CPB fell apart, dozens of ethnic armed organizations emerged out of it.[3] Among these armed ethnic groups is the United Wa State Army (UWSA), a long-time recipient of advanced Chinese weaponry and training that is still used by China to pressure the Myanmar government by proxy ([The Irrawaddy](#), April 23, 2019).

Chinese support for armed organizations today may not reach the same levels provided to the CPB decades ago. Still, groups like the UWSA, the Ta'ang National Liberation Army, the Myanmar National Democratic Alliance Army and the Arakan Army (AA) continue to enjoy Chinese economic support, patronage and sanctuary ([The Irrawaddy](#), July 3, 2020). This has kept alive the Tatmadaw's suspicions of Beijing.

### **Courting China**

The Tatmadaw's wariness of foreigners saw it adopt an isolationist policy of equidistance between the big powers during the 1962-1988 period of military rule. In 1988, the junta instituted violent crackdowns against mass pro-democracy protests in Myanmar. In a sharp rebuke, the international community imposed sanctions and suspended economic aid. Myanmar's already weak economy plunged into a crisis. With the survival of the regime in peril, the junta turned to China. Beijing—which at the time was also facing global isolation over its brutal Tiananmen Square crackdown—offered the desperate junta a lifeline and used its veto power to shield Myanmar from condemnation at the UN.

Beijing supported Myanmar by providing easy loans and technical expertise as well as much-needed arms sales that the generals used to beef up internal security. Trade grew from \$9.51 million in 1988 to \$4.4 billion in 2010, according to official Chinese figures. The security relationship deepened as well. The junta purchased arms worth \$1 billion from China in 1989—the largest weapons deal in Myanmar's history. Another defense deal worth \$400 million followed in 1994. During this period, China also helped Myanmar rebuild and modernize several commercial harbors and naval facilities.<sup>[4]</sup> The military junta was able to consolidate its power behind the protective shield that China extended to Myanmar during the 1990s, although ongoing challenges in border security and smuggling continued to dog the bilateral relationship.

Following the (contested) election of a military-backed civilian government in 2010, China and Myanmar elevated their relationship to a “comprehensive strategic cooperative partnership,” and began supporting each other in international fora such as the Association of Southeast Asian Nations (ASEAN) (PRC Embassy in Myanmar: [May 28, 2011](#); [November 16, 2011](#)). At the same time, China also began facing competition for investment in Myanmar from other countries such as the U.S. and Japan as the country began to gradually reopen ([China Brief](#), February 23, 2016).

### **Expanding Chinese Influence**

China's downplaying of the gravity of the military takeover coupled with its reluctance to censure the junta indicate that—as in the past—it will stand by the Tatmadaw. It can be expected that China will use its veto power to prevent further sanctions on Myanmar at the UN Security Council. With UN Security Council sanctions unlikely to make headway, Western governments have simultaneously pursued alternative measures to pressure the military. There are plans to prevent the junta from accessing oil and gas revenues

paid into and held by foreign banks ([Business Line](#), March 8). Washington is said to have frozen \$1 billion of Myanmar government funds held in the U.S. The U.S. and the EU have imposed sanctions targeting military leaders and their kin, along with corporate entities affiliated with the junta ([U.S. State Department](#), accessed March 22; [European Council](#), March 22). Some foreign companies and investors have begun distancing themselves from two sanctioned entities, the Myanmar Economic Holdings (MEHL) and Myanmar Economic Corporation (MEC), in particular ([Channel News Asia](#), February 5; [Business Standard](#), March 5).

Yet because of China's continuing support for the new regime, the impact of sanctions on foreign direct investment (FDI) into Myanmar is expected to be limited. Over the past decade, the U.S. and EU accounted for just 0.6 percent and 6.5 percent respectively of FDI in Myanmar ([East Asia Forum](#), May 27, 2020). By comparison, China accounts for roughly a third of FDI ([Global Times](#), January 14, 2020). China does \$5.5 billion worth of annual trade with Myanmar and accounts for roughly a third of both its export and import markets. In contrast, the U.S. is not an important trade partner even after the lifting of sanctions in 2016. Still, Western sanctions would adversely affect investment in Myanmar from other Asian countries such as Japan, South Korea, Thailand, Singapore and India, undermining their capacity to balance China's huge presence in Myanmar's economy ([The Irrawaddy](#), March 3; [World Bank](#), accessed March 17). As a result, China stands poised to gain from Western sanctions; its substantial role in Myanmar's economy will likely grow as other regional powers are shut out.

Partner Country	Export Partner Share (%)	Import Partner Share (%)
China	33.35	32.17
Thailand	18.34	13.14
Japan	8.32	3.6
India	3.44	5.12
Hong Kong	3.4	0.09
Germany	3.03	0.95
United States	2.95	1.68
Singapore	2.94	19.08
South Korea	2.67	2.27
Russia	0.1	0.17

*Image: The chart shows some of Myanmar's major trade partners, according to 2018 data from the World Bank. China was Myanmar's largest export and import partner, while trade volume with Russia ranked outside the top ten. (Data compiled based on [WITS](#) figures).*

## Chinese Leverage and Infrastructure Projects

The continuing promise of economic and political support on the international stage could enhance Beijing's already-significant leverage over Myanmar. Analysts have raised the possibility of China trying to get the ruling junta to lift the suspension on the \$3.6 billion, China-funded Myitsone power project ([Foreign Policy](#), February 23). There are early signs that the Tatmadaw may do so. On February 15, the new Chairman of the State Administration Council of Myanmar Min Aung Hlaing, who also serves as the commander-in-chief of Myanmar's Defense Services, announced the restart of stalled hydropower projects and potentially paving the way to lift the suspension of the controversial Myitsone project as well ([ANI](#), February 28). China can be expected to use its leverage over the junta to push through Belt and Road Initiative (BRI) projects that the previous government rejected. After coming to power in 2016, the NLD approved just nine of the 38 BRI-linked infrastructure projects that Beijing had proposed. It also scaled down the Kyaukpyu deep-sea port project, as the version envisioned by China did not sufficiently benefit Myanmar ([China Brief](#), April 24, 2019). Amid the current chaos, China could try to push the junta to approve these previously rejected BRI projects.

### **Other Options**

At the same time, the Tatmadaw's suspicions of Chinese intentions remain strong. It was unsettled by Aung Sang Suu Kyi's growing closeness with China during the years of NLD rule ([Nikkei Asia](#), March 5). The military has reportedly also been upset by Beijing's continued support to anti-Myanmar terror groups, including the AA and the UWSA, behind the mask of "facilitating peace talks" ([Economic Times](#), September 16, 2020). Last June, for instance, Min Aung Hlaing drew attention to "strong forces" backing terror groups like the Arakan Rohingya Salvation Army (ARSA) and AA, apparently implying Chinese support ([The Irrawaddy](#), July 3, 2020). Given its continuing distrust of Beijing, the junta will avoid deepening dependence on China as much as possible.

The Tatmadaw also has other options for shoring up international support. It has built strong defense ties with India and Russia in the last decade ([The Diplomat](#), February 8; [Nikkei Asia](#), February 9). Although Myanmar purchases 49 percent of its weapons from China, Russia and India have also emerged important weapons suppliers following the start of military modernization efforts in 2011. According to one estimate, Russia and India provided 16 percent and 14 percent respectively of Myanmar's foreign arms purchases between 2015 and 2019 ([SIPRI](#), March 2020). Like Beijing, Moscow provided political cover for Myanmar at the UN in 2007 and 2017 and has recently signaled its support for the junta, calling the coup "a purely domestic affair" ([Observer Research Foundation](#), March 2; [The Irrawaddy](#), February 13). Unlike China, Russia is a distant power. It does not have a history of conflict with Myanmar and the bilateral relationship evokes fewer suspicions. At the same time, too much must not be read into Russia's role in Myanmar. Overall engagement is limited, and Russia does not even figure among the top ten investors in Myanmar. Still, with confirmed Russian support at the UN Security Council, the military junta would have a reduced need for China's veto power and could feel less pressure to concede to China's BRI demands.

### **Security Concerns**

China is concerned about the instability and unrest in Myanmar. Anti-coup protests are showing no signs of abating and have also included anti-Chinese elements ([The Irrawaddy](#), March 8; [Rappler](#), March 15). Continued unrest would jeopardize China's many state and private investments in Myanmar and would at a minimum slow down the implementation of projects. Many in Myanmar believe that Beijing had a hand in the coup and is providing the junta with the technical know-how to block social media and access the personal data of pro-democracy activists. Protestors have been staging rallies outside the Chinese Embassy in Yangon and are calling on the Chinese government to stop supporting the junta ([The Irrawaddy](#), February 15).



*Image: Anti-coup protestors demonstrate outside the Chinese embassy holding signs in both Mandarin and English that are aimed at an international audience, on February 11 (Image source: [Taipei Times](#)).*

Revival of the Myitsone project will intensify anti-junta and anti-China protests. The project is unpopular not just in the Kachin state but across Myanmar. It is a symbol of China's extractive economic cooperation with Myanmar and a lightning rod that will attract protestors from across the country. Under these circumstances, the junta is likely to avoid reviving the Myitsone project. It needs to first quell mass protests to ensure regime survival. Reviving Myitsone will only fuel opposition to the military regime. Concessions to China on the Kyaukphyu project are therefore more likely.



## **Conclusion: What Lies Ahead?**

The junta needs allies on the international front to provide diplomatic and economic support as well as meet its defense needs. While China will provide the Tatmadaw with some of this support, it is not the only country that can do so. The military's active cultivation of other state powers in recent decades has put it in a far more comfortable situation than where it was in 1988. Given its continued suspicions of China, it is likely the junta will seek to keep its dependence on Beijing to a minimum.

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## **Notes**

[1] John G. Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century* (New Delhi: Oxford, 2001), pp. 254-55).

[2] Zin, Min, "Burmese Attitude toward Chinese: Portrayal of the Chinese in Contemporary Cultural and Media Works," *Journal of Current Southeast Asian Affairs*, 2012, no. 31, issue 1, p.115-131, <https://journals.sagepub.com/doi/pdf/10.1177/186810341203100107>.

[3] K. Yhome, "Understanding China's Response to Ethnic Conflicts in Myanmar", ORF Occasional Paper No. 188, April 2019, Observer Research Foundation. <https://www.orfonline.org/research/understanding-chinas-response-to-ethnic-conflicts-in-myanmar-49759/>

[4] Sudha Ramachandran, "Sino-Myanmar Relationship: Past Imperfect, Future Tense," in *China-South Asia Strategic Engagements*, Institute of South Asian Studies (ISAS) Working Paper, August 23, 2012, [https://www.isas.nus.edu.sg/wp-content/uploads/media/isas\\_papers/ISAS%20Working%20Paper%20158%20-%20Sino%20Myanmar.pdf](https://www.isas.nus.edu.sg/wp-content/uploads/media/isas_papers/ISAS%20Working%20Paper%20158%20-%20Sino%20Myanmar.pdf). See also Garver, n.1. pp. 263-66.

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## Potential Military Implications of Pingtan Island's New Transportation Infrastructure

*By Kristian McGuire*

### Introduction

Within the last decade, Pingtan Island (平潭岛, *Pingtán Dao*), which is the nearest territory to the Republic of China (ROC or Taiwan) controlled by the People's Republic of China (PRC or China), has transformed from a relative backwater into a significant transportation hub. The opening of the Pingtan Strait Road-Rail Bridge (平潭海峡公铁大桥, *Pingtán Haixia Gong-Tie Daqiao*)—first to automobile traffic in October 2020 and then to high-speed rail traffic in December 2020—marked the island's connection to the PRC's integrated transportation system (综合交通运输体系, *Zonghe Jiaotong Yunshu Tixi*) ([People's Daily](#), October 9, 2020; [CGTN](#), December 27, 2020). Beijing sees developing Pingtan's transportation infrastructure as facilitating deeper engagement between the PRC and Taiwan. It intends for this increased engagement to promote the integration and eventual unification of ROC-controlled territories with mainland China ([Fjbt.gov.cn](#), January 31, 2019).



*Image: An aerial photo taken on September 21, 2019 shows construction on the Pingtan Strait Road-Rail Bridge. Construction of the main structure was completed in the same year and the bridge was opened in 2020 (Image source: [China.org.cn](#)).*

Consistent with the PRC's past use of psychological and media or "public opinion" warfare (part of the Chinese military's long-standing "Three Warfares" formulation for political warfare), state media and the People's Liberation Army (PLA) have both highlighted the potential dual-use applications of civilian transportation infrastructure on and around Pingtan ([81.cn](http://81.cn), May 26, 2014).[1] One retired military commander has even suggested that the PLA should access the territory via one of its newly constructed bridges and conduct artillery exercises to improve combat readiness for a Taiwan contingency ([Global Times](http://GlobalTimes.com), October 21, 2016). At the same time, exploiting Pingtan's new infrastructure to exert military pressure on Taiwan contradicts Beijing's rebranding of Pingtan (the site of historic military exercises during the Third Taiwan Strait Crisis) as an important space for the "peaceful development of cross-Strait relations" ([Taihainet.com](http://Taihainet.com), December 13, 2013; [Xinhua](http://Xinhua.com), November 3, 2014).

## Background

The establishment of the Pingtan Comprehensive Pilot Zone (平潭综合实验区, *Pingtān Zonghe Shiyan Qu*) in July 2009 heralded a wave of development initiatives. In 2011, the State Council issued a development plan for the Western Taiwan Strait Economic Zone (海峡西岸经济区, *Haixia Xi'an Jingji Qu*) and incentives to build up Pingtan were boosted by President Xi Jinping's infrastructure-driven Belt and Road Initiative (BRI) in 2013. All three of these programs—so far as they relate to Pingtan—share the goal of using transportation infrastructure to convert the island into a leading conduit for trade, investment and travel between China and Taiwan ([Gov.cn](http://Gov.cn), May 14, 2009; [China News](http://ChinaNews.com), November 3, 2015). In the past decade alone, the push to build out Pingtan's transportation infrastructure has resulted in several new and improved linkages, with still more in the construction or planning stages.

## Pingtān by Land, Sea and (Eventually) Air

Spanning 10.15 miles, the Pingtan Strait Road-Rail Bridge is the world's longest cross-sea road-rail bridge. A high-speed rail line has reduced travel time between Pingtan and Fuzhou, the provincial capital of Fujian, from two hours to approximately half an hour ([Xinhua](http://Xinhua.com), September 25, 2019). The bridge directly connects Pingtan to the Beijing-Taipei Transportation Corridor via the G3 Beijing-Taipei Expressway and Beijing-Taipei high-speed railway; and indirectly connects the island to the Coastal Transportation Corridor and the Beijing-Hong Kong, Macao and Taiwan Transportation Corridor via Fuzhou.[2]

The first bridge between the island and greater Fujian—the Pingtan Strait Bridge (平潭海峡大桥, *Pingtān Haixia Daqiao*) had opened a decade earlier ([Xinhua](http://Xinhua.com), December 25, 2010). A second bridge opened in June 2014. The twin bridges are 25 meters apart and together link southern Pingtan Island and Dongshan Town, Fuqing County ([Nhaidu.com](http://Nhaidu.com), June 17, 2014). The Pingtan Comprehensive Pilot Zone Planning Bureau also plans to add two underwater road-rail tunnels that will connect Pingtan and Fuqing by 2035. One will support an intercity rail line and the other will provide passage for a freight rail line.[3]



*Image: A map of the Pingtan Comprehensive Pilot Area's comprehensive transportation plan (Image Source: [Pingtan.gov](http://Pingtan.gov))*

CREEC (Guangdong) Harbor Survey and Design Company, a state-controlled mixed ownership enterprise, has produced a design for a Pingtan-Hsinchu [Taiwan] railway ferry terminal consisting of two berths for railway ferries and one berth for railway ferry maintenance.[4] As of the time of writing, this project has not received official approval. But Beijing has long planned to build a cross-Taiwan Strait undersea tunnel from Pingtan to Hsinchu, so a railway ferry could presumably augment or replace that planned transportation link ([China Brief](#), August 31, 2020).

In March 2019, the island's Jinjing Port Area passed inspection to become a national first-class port ([Ptnet.cn](#), March 22, 2019). Three of Jinjing's seven planned multi-purpose berths have already been constructed, and one is designed to eventually handle international cruise liners ([Ptnet.cn](#), December 20, 2018). Two passenger-cargo "ro-ro" (roll-on/roll-off) terminals are also planned for the port ([Fjsen.com](#), April 17, 2019). A 10,000-ton passenger-cargo ro-ro terminal in Aoqian District began operating a high-speed ferry service between Pingtan and Taichung, Taiwan in November 2011; it later expanded its services to include high-speed passenger and cargo transport to the cities of Taipei and Kaohsiung, Taiwan ([Fznews.com.cn](#), May 17, 2013; [Xinhua](#), July 11, 2019). Additionally, Pingtan is expected to construct a commuter airport to support regional passenger and cargo transport by 2030 or 2035 at the latest ([Fznews.com.cn](#), May 21,

2019). In the meantime, the island's new high-speed rail line provides quick access to and from the Fuzhou Changle International Airport ([Ejsen.com](http://Ejsen.com), December 27, 2020).

### **Military-Civil Fusion**

In accordance with Beijing's military-civil fusion (MCF) (军民融合, *junmin ronghe*) strategy, the new transportation infrastructure constructed on and around Pingtan has been built with military mobility in mind. To give one example, the eight-lane, two-way ring road that encircles the island was built with several exits to military facilities to enhance troops' rapid response capabilities ([China National Defense News](http://China National Defense News), January 25, 2016). Military officials and defense experts have reportedly participated in the planning for the island's development, and the military helped construct the island's high-speed ro-ro ferry terminal. Pingtan's highways, railway station and airport have all been designed with the consideration of military needs such as wartime protective camouflage; resistance to destruction and repair and restoration ([China National Defense News](http://China National Defense News), April 1, 2015; [Fznews.com.cn](http://Fznews.com.cn), December 9, 2018).

State-owned enterprises that have actively participated in MCF elsewhere are also helping to transform Pingtan into a transportation and logistics hub. For example, Alfai Southern Shipyard (Panyu Guangzhou), a subsidiary of China State Shipbuilding Corporation and China COSCO Shipping Corporation, was contracted in February 2019 for the design and construction of the "Pingtan Star" ferry ([Fujian Daily](http://Fujian Daily), February 22, 2019). Pingtan Star will be Asia's largest aluminum alloy high-speed ro-ro passenger ship when it begins transporting passengers, automobiles and cargo between Pingtan and Taiwan ([COSCO](http://COSCO), February 25, 2019). It's worth mentioning that the Chinese military has used other COSCO ships (including ferries) in training exercises ([81.cn](http://81.cn), September 28, 2016).

In 2018, the PRC's National Development and Reform Commission and Ministry of Transportation jointly designated Pingtan as a national trade service logistics hub. Since then, the island has begun developing large logistics facilities, including several warehouses, to accommodate an anticipated increase in goods transiting through the territory ([Ptnet.cn](http://Ptnet.cn), August 31, 2018). As trade flowing through Pingtan increased from approximately \$740 million in 2017 to more than \$1.9 billion in 2020, major Chinese logistics firms such as SF Express and China Postal Express & Logistics Company—which have established strategic cooperation agreements with the PLA—also set up operations on the island ([Pingtan Times](http://Pingtan Times), March 24, 2019; [FJDaily.com](http://FJDaily.com), January 22; [Pingtan Times](http://Pingtan Times), December 25, 2018; [China Youth Online](http://China Youth Online), October 26, 2017).

### **Military Implications of New Transportation Infrastructure**

Early in the development of the Pingtan Comprehensive Pilot Zone, a Taiwan defense expert identified how Chinese armed forces could use the island's strategic position to enhance their power projection capabilities, expand Beijing's control of air and sea space in and around the Taiwan Strait and create a forward base to invade Taiwan ([ROC Ministry of Justice Investigation Bureau](http://ROC Ministry of Justice Investigation Bureau), June 2012). More recently, defense analysts

have pointed out that ROC forces will be able to hold Pingtan and its at-risk environs with U.S.-supplied missiles approved for sale to Taiwan in October 2020, potentially diminishing the military utility of Pingtan's transportation infrastructure ([Taipei Times](#), December 28, 2020; [SCMP](#), October 15, 2020; [Defense News](#), October 23, 2020). Regardless of the actual value of Pingtan's infrastructure for combat, China's publicizing of its transportation infrastructure's suitability for military operations sends a strong signal about Beijing's ability to deter Taiwan from taking further steps toward independence.[5]

In 2016, retired Lieutenant General Wang Hongguang, former deputy commander of the Nanjing Military Region, wrote an op-ed proposing specific measures that the Chinese military could take to strengthen its combat readiness for a Taiwan contingency. One of Wang's more provocative proposals was that People's Liberation Army Air Force (PLAAF) fighter jets could start conducting drills near the median line of the Taiwan Strait ([Global Times](#), October 21, 2016). In March 2019, PLAAF fighter jets traversed the median line for the first time in two decades; the PLAAF has made more incursions since then ([Radio Taiwan International](#), April 1, 2019; [Global Times](#), August 10, 2020). Wang also proposed that Chinese forces could conduct live-fire artillery exercises from Pingtan. He noted that the island is now accessible by the Pingtan Strait Bridge, which he claimed is conducive to the rapid deployment of long-range multiple rocket launcher units ([Global Times](#), October 21, 2016).

The Chinese military has for many years prioritized the “multi-dimensional delivery/transport” (立体投送/运输, *liti tousong/yunshu*)—i.e. road, rail, sea and air transport— of combat forces and equipment to strategic locations and military training bases along China's periphery ([People's Daily](#), October 9, 2009; [Xinhua](#), August 29, 2019). It has also frequently used civilian transportation and infrastructure to complete long-distance deliveries during cross-military region/theater exercises ([PLA Daily](#), April 9, 2012; [PLA Daily](#), September 5, 2014; [81.cn](#), March 21, 2018).

Zhangzhou (漳州) City, located on the eastern coast of Fujian Province, is home to one of China's four major amphibious assault training areas. Another one sits on Pingtan. Like Pingtan, Zhangzhou has recently built up its transportation infrastructure, which according to Chinese state media satisfies the military's needs for multi-dimensional delivery and the rapid wartime mobility of troops ([PLA Daily](#), December 29, 2015; [China National Defense News](#), November 13, 2015). Beijing has made clear that it intends for its national integrated transportation network—with integrated transportation hubs and corridors—to support “social stability” (社会稳定, *shehui wending*), “unification of the motherland” (祖国统一, *zuguo tongyi*) and national security.[6]





*Image: A map of the PRC's national integrated transportation corridors and integrated transportation hubs  
(Image Source: [PRC State Council](#))*

Chinese armed forces have used components of the national transportation corridors in military exercises before ([China National Defense News](#), October 9, 2014). For example, the Coastal Transportation Corridor that runs from Tongjiang, Heilongjiang Province in the north to Sanya, Hainan Province in the south has been featured in several long-distance military transport exercises ([PLA Daily](#), October 10, 2012; [China National Defense News](#), August 28, 2016; [81.cn](#), November 20, 2017).

## Conclusion

The PRC has publicized how its improved transportation network facilitates PLA deployments to its coastline opposite Taiwan. This is an example of China's media and psychological warfare against the ROC. As cross-Strait tensions have risen in recent years, the PRC has revived old methods for signaling its displeasure with Taipei and exerting pressure on the people of Taiwan. It has invented new ones as well: expanding one flight route so that commercial airliners now fly within four miles of the Taiwan Strait median line; ordering warplanes to circumnavigate Taiwan on a regular basis and allowing Chinese sand dredgers to intrude into ROC waters around the Matsu Islands ([CSIS.org](#), March 14, 2018; [Taipei Times](#), August 14, 2017; [Reuters](#), February 5).

Although Pingtan's transportation infrastructure offers China new tools for pressuring Taiwan, Beijing could jeopardize the territory's role as a center for cross-Strait engagement by using them. For this reason, actually



using said infrastructure to more directly coerce Taiwan could be an effective but potentially very costly option ([Institut Montaigne](#), September 15, 2020).

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#### Notes:

[1] See: “China: The Three Warfares”, U.S. Department of Defense, May 2013, [http://images.smh.com.au/file/2014/04/11/5343124/China\\_%2520The%2520three%2520warfares.pdf](http://images.smh.com.au/file/2014/04/11/5343124/China_%2520The%2520three%2520warfares.pdf); Peter Mattis, “China’s ‘Three Warfares’ In Perspective,” *War on The Rocks*, January 30, 2018, <https://warontherocks.com/2018/01/chinas-three-warfares-perspective/>; and Mark Stokes and Russell Hsiao, “The People’s Liberation Army General Political Department: Political Warfare with Chinese Characteristics,” Project 2049, October 14, 2013, [https://project2049.net/wp-content/uploads/2018/04/P2049\\_Stokes\\_Hsiao\\_PLA\\_General\\_Political\\_Departme nt Liaison\\_101413.pdf](https://project2049.net/wp-content/uploads/2018/04/P2049_Stokes_Hsiao_PLA_General_Political_Departme nt_Liaison_101413.pdf).

[2] See: “Integrated Transportation Network Medium- and Long-term Development Plan” (综合交通网中长期发展规划, *Zonghe Jiaotong Wang Zhong-Changqi Fazhan Guihua*), National Development and Reform Commission, November 2007, <https://www.ndrc.gov.cn/fggz/zcssfz/zcgh/200906/W020190910670434985047.pdf>. and “The State Council on The Issuance of The ‘Thirteenth Five-Year Plan’: Modern Integrated Transportation System Development Plan Notice” (国务院关于印发“十三五”现代综合交通运输体系发展规划的通知, *Guowuyuan Guanyu Yinfa “Shisanwu” Xiandai Zonghe Jiaotong Yunshu Tixi Fazhan Guihua De Tongzhi*), State Council of The People’s Republic of China, 2017, [http://www.gov.cn/zhengce/content/2017-02/28/content\\_5171345.htm](http://www.gov.cn/zhengce/content/2017-02/28/content_5171345.htm).

[3] “Pingtan Comprehensive Pilot Zone Master Plan (2018-2035): Plan Blueprint” (平潭综合实验区总体规划 (2018-2035): 规划图纸, *Pingtang Zonghe Shiyan Qu Zongti Guihua (2018-2035): Guihua Touzhi*), Pingtan Comprehensive Pilot Zone Planning Bureau, May 20, 2019, [http://www.pingtan.gov.cn/jhtml/ct/ct\\_2930\\_80431](http://www.pingtan.gov.cn/jhtml/ct/ct_2930_80431).

[4] CREEC (Guangdong) Harbor Survey and Design Company website, Accessed February 16, 2021, [http://www.creechd.com/cn/case\\_show.php?id=9](http://www.creechd.com/cn/case_show.php?id=9).

[5] Blasko, Dennis J., *The Chinese Military Today: Tradition and Transformation for the 21<sup>st</sup> Century*, 2<sup>nd</sup> Edition, (New York: Routledge, 2012), 123.

[6] See: Note 2, “Integrated Transportation Network Medium- and Long-term Development Plan”

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## Beijing Speaks on the Proposed Group of Seven Expansion

*By Jagannath Panda*

### Introduction

Leaders of the Group of Seven (G7)—an informal bloc of industrialized nations which includes Britain, Canada, France, Germany, Italy, Japan and the United States—met virtually on February 19 in preparation for an upcoming June summit. The meeting focused on intensifying health cooperation; expanding vaccine development and deployment; “build[ing] back better” global economies in response to the ongoing Covid-19 pandemic and foregrounded sustainable development and climate change cooperation ([G7 UK 2021](#), February 19). Although containing China did not feature directly in the official readout from the virtual meeting, the White House had previously stated that U.S. President Joseph Biden would raise the need to “strengthen our collective competitiveness and the importance of updating global rules to tackle economic challenges such as those posed by China” ([White House](#), February 18). After the event, media reports heralded the event as a beginning in U.S. President Joseph Biden’s efforts to create an alliance of democratic allies to compete with China ([Axios](#), February 19, [Reuters](#), February 19).



*Image: The last G7 Summit, held under France’s leadership in Biarritz from August 24-26, 2019, invited Australia, Chile, India and South Africa as “partners committed...to democratic values and fundamental freedoms” to focus on topics such as digital transformation and climate change (Image source: [Elysee.fr](#)).*

Further demonstrating the G7’s significance as a site for conflict between China and the West, Beijing hit back against the G7 meeting before it even took place. Chinese foreign ministry spokesperson Hua Chunying

(华春莹) warned, “We oppose the imposition of rules made by several countries on the international community under the pretext of multilateralism. We also oppose the practice of ideologizing multilateralism to form values-based allies targeting specific countries” ([PRC Ministry of Foreign Affairs](#), February 19). The state tabloid *Global Times* was blunter, criticizing the G7 as old-fashioned “clique politics” based on “ideological divides,” and quoted a researcher from the state-affiliated China Institute of Contemporary International Relations (CICIR) who explained, “when [the G7] talks about tackling challenges posed by China, it actually means besieging China” ([Global Times](#), February 18).

The Chinese foreign ministry had earlier said that such cliquish “behaviors” would “only push the world towards divide and even confrontation” ([South China Morning Post](#), February 17). China’s wariness about the G7 was heightened last year after Boris Johnson offered invitations to India, South Korea and Australia to attend the G7 Summit in December, which was widely seen as a move aimed at countering or balancing China’s growing global influence ([South China Morning Post](#), December 16, 2020). Given these developments, this article takes a closer look at Beijing’s view of the Western-led G7 grouping and its response to the G7’s proposed changing membership in the emerging post-pandemic geo-economic order.

### **The G7 in China’s Worldview**

As China’s economic and military power grows, it has assumed an increasingly assertive role in international society. As part of a drive for “national rejuvenation,” China under the leadership of President Xi Jinping (习近平) has sought to build up the global power projection capabilities of the People’s Liberation Army (PLA), expand its foreign influence under the umbrella of the Belt and Road Initiative (BRI) and wield its growing discourse power to gradually shift norms and standards in multilateral governance forums. Prior to the downturn in bilateral relations, China promoted a strategic “G2” grouping in which foregrounded the centrality of the U.S.-China dyad in international relations ([People’s Daily](#), November 14, 2014; [Global Times](#), June 10, 2013).[1] This aligned with Beijing’s self-perception as a global superpower. Deeply integrated in the global economy, Beijing has at the same time consistently sought to maintain its independence; thus, while depending on emerging powers to secure its sources of wealth China also acts as a ‘balancer’ to diffuse rising pressures against the existing liberal international order.[2] As such, China has gradually moved away from being a normative “system taker” to being a “system shaper” and “system maker.”[3]

China’s focus on maintaining economic ties with the U.S. and its allies and partners—including Japan and India—while simultaneously championing multipolarity highlights a major tension in its self-identification as a “great power” (大国, daguo).[4] It has manipulated regionalism to oppose a primarily Western-driven universalism abroad and reinforced nationalism at home to guide its global competitiveness via state-driven projects such as the BRI.[5]

Since 2016, Beijing has consistently criticized the G7 as a platform for “political purposes” and responded aggressively to the grouping’s criticisms as destabilizing attacks on Chinese sovereignty ([Consulate General](#)

[of the PRC](#), April 8, 2016). Beijing expressed its “strong [dissatisfaction]” of a 2017 G7 meeting that made “irresponsible reference[s]” to the East and South China Sea maritime disputes ([PRC Ministry of Foreign Affairs](#), May 28, 2017). More recently, Beijing “firmly oppose[d]” the G7’s joint statement on China’s national security law imposed on Hong Kong last June, and hit back against another G7 joint statement on Hong Kong electoral reforms in March as being “flagrant interference” in China’s domestic affairs and a “vicious smear” ([PRC Ministry of Foreign Affairs](#), June 18, 2020; [PRC Ministry of Foreign Affairs](#), March 15). A commentary in the state media agency Xinhua complained that the G7’s statement on Hong Kong’s electoral reforms “goes against the facts and exposes the group’s hypocritical nature” ([Xinhua](#), March 14). Such reactions show that Beijing sees the G7 as an anti-China bloc and an attempt by Washington to maintain its supremacy in the international order through alliance politics. In an attempt to discredit the framework, Chinese media has increasingly painted the G7 as irrelevant in the new era ([CGTN](#), August 25, 2019).



*Image: Chinese Ministry of Foreign Affairs spokesperson Zhao Lijian gives a press briefing on March 15. Chinese foreign ministry representatives and state media have been highly critical of the proposed expansion of the G7 before and after the leadership meeting in February (Image source: [PRC Ministry of Foreign Affairs](#)).*

### **G7 Expansion vs. China's Realpolitik**

In response to criticisms that the G7 was outdated and unrepresentative, the former U.S. President Donald Trump first proposed adding India, Australia, South Korea (and reportedly also Russia) as permanent members last May, making the G7 a more accurate grouping of the world's largest advanced economies that nonetheless noticeably left out China ([Indian Express](#), June 1, 2020). Following the cancellation of the 2020 G7 Summit (set to be hosted by the U.S.) due to the coronavirus pandemic, the UK formally invited India,

Australia, and South Korea to attend the 2021 G7 as guest nations to aid inclusive post-pandemic “build back better” goals ([Gov.uk](#), accessed March 23). The expanded G7 would build on the UK’s earlier proposed grouping of 10 democracies (D10), which was first introduced as a consortium for like-minded partners to collaborate on 5G infrastructure development ([Foreign Policy](#), June 10, 2020).

Beijing has dismissed the UK’s proposal to expand the G7 as “just an interpretation”—and therefore not yet a fact ([PRC Ministry of Foreign Affairs](#), January 19). But at the same time, official statements have repeatedly emphasized that China opposes “abusing the name of multilateralism for bloc politics,” and ongoing vocal criticisms of the G7 speak to its importance in China’s eyes. Chinese experts have said that Washington’s efforts to form an “anti-China choir” at the G7 were futile, noting that China was the “engine of world economy,” and closely linked with G7 member states ([Global Times](#), February 15). But this interpretation meshes poorly with the reality that tensions over illegal technology transfers; trade disputes; sovereignty violations in the South China Sea and on the India-China border as well as growing condemnation of human rights violations in Tibet, Xinjiang and Hong Kong have eroded many of China’s bilateral relationships with G7 member states over the past year.

In the past, China has alternately used the tag of a developing and developed economy to gain allowances at the WTO and IMF, manipulating the narrative of its global standing on a case-by-case basis to gain significant advantages. The G7’s expansion would close the gap between developed and developing economies, effectively undermining such tactics while also inviting countries in China’s immediate backyard closer to the West. But not all current members agree with this approach. Following reports in January that Johnson had suggested asking guest nations to sign an “Open Societies Charter” with the existing G7 member nations in June, Japan pushed back over concerns that such a move would risk “institutionaliz[ing]” and diluting the existing framework after a turbulent 2020 ([Japan Times](#), January 28; [Asia Times](#), January 29).

China views its exclusion from debates on expanding the G7 to be more “symbolic than substantive,” especially considering its position as the world’s second-largest economy and the only economy that grew in 2020 amid the pandemic ([Global Times](#), June 2, 2020). To Beijing, its exclusion from the G7 signals the Western-dominated bloc’s refusal to change with the times, as well as a U.S.-led political endeavor to contain China. Somewhat trollishly, Russia responded to suggestions of an expanded G7 back in June by saying that it was a “step in the right position” but that China’s participation would also be needed ([TASS](#), June 2, 2020).

### **Alliance politics and China’s G7 outlook**

Chinese media have vocally criticized the G7’s expansion as part of an emerging “Cold War” style of alliance politics that sits poorly with China’s growing economic and political power ([Global Times](#), August 16, 2020). Yet as China continues to pursue aggressive tactics towards Hong Kong and Xinjiang and in the South China Sea, last year’s foreign policy achievements, including the Regional Comprehensive Economic Partnership (RCEP) and the EU-China Comprehensive Agreement on Investment (CAI), have been shaken. China was



the first (and so far only) state to ratify the RCEP during annual legislative meetings in March, although the Japanese Cabinet has also approved a bill to do so ([South China Morning Post](#), March 9; [Kyodo News](#), February 24). European pushback against the CAI grew after details of market access offers were released in mid-March and snowballed after tit-for-tat sanctions on human rights abuses in Xinjiang were announced. As of the time of writing, EU talks to ratify the CAI have been put on hold ([European Commission](#), March 12; [Reuters](#), March 23).

Nevertheless, China has expressed its interest in becoming a party to the Japan-led Comprehensive Agreement for Trans-Pacific Partnership (CPTPP) ([Global Times](#), November 21, 2020; [Xinhua](#), February 2). Japan's hesitation to expand the G7, despite its close ties with India and Australia, is based upon its hopes for an expanded CPTPP with China as well as lingering concerns over South Korea ([Asia Times](#), January 29). Under Prime Minister Yoshihide Suga, Tokyo has attempted to reshape its relationship with Beijing. But Japan also signaled its willingness to criticize Chinese "coercion and destabilizing behavior" during recent 2+2 ministerial meetings with the U.S. ([South China Morning Post](#), March 16).

President Xi's speech at the 2021 World Economic Forum (WEF) Davos summit focused on encouraging coordination in macroeconomic policy to "jointly promote [the] strong, sustainable, balanced and inclusive growth of the world economy" ([CGTN](#), January 25; [Xinhua](#), January 25; [China Daily](#), January 25). The statement comes amid a rise in global initiatives post-pandemic that put China on guard, including the Supply Chain Resilience Initiative (SCRI) envisioned by Australia, Japan and India, and an emerging 'Quad Plus' mechanism that includes Brazil, New Zealand, Israel, South Korea and Vietnam. Xi's specific emphasis on macroeconomic policymaking, which has been at the heart of the G7 since its first summit in 1975, also indirectly signals China's wariness over the G7's expansion in light of these growing anti-China measures.[6]

### **Conclusion**

In essence, an expansion of the G7 to include India, Australia and South Korea is not in China's economic or security interests—particularly given Beijing's continued exclusion. Beijing's escalating rhetoric shows that it is preparing for a more proactively anti-China alliance-driven political environment, as reflected in an expanded G7 which overtly excludes China. As Beijing attempts to maintain and expand its regional spheres of influence, it will seek to keep the U.S. (and the West at large) away from its backyard. Should the G7 expansion become a reality, Beijing would be faced with a widespread anti-China economic grouping.

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**Notes**

[1] Jinghan Zeng and Shaun Breslin, “China’s ‘New Type of Great Power Relations’: A G2 with Chinese Characteristics?”, *International Affairs* 90, no. 4 (June 20, 2016), pp. 773-794.

[2] Thomas Kane, “China’s Foundations: Guiding Principles of Chinese Foreign Policy,” *Comparative Strategy* 20, no. 1 (2001), pp. 45–55.

[3] Zeng and Breslin, 2016.

[4] Gilbert Rozman, “China’s quest for great power identity,” *Orbis* 43, no. 3 (July 31, 2000), pp. 383-402, <https://www.sciencedirect.com/science/article/abs/pii/S0030438799800787>.

[5] David Armstrong, “Chinese Perspectives On The New World Order,” *The Journal of East Asian Affairs* 8, no. 2, pp. 454-481 (1994), <http://www.jstor.org/stable/23254266> (accessed February 8, 2021).

[6] Alissa Wang, “G7 performance on macroeconomic policy,” *The Global Governance Project*, December 10, 2020, <https://www.globalgovernanceproject.org/g7-performance-on-macroeconomic-policy-3/>.

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