

Xi moves to assert further control over China's private sector

The policy imposes a specific obligation on private businesspeople to act as agents of the State

China's paramount leader **Xi Jinping** has issued "important instructions" on strengthening the role of the United Front Work Department (UFWD) – the Party's influence arm – in ostensibly private companies. The directive – which [calls upon](#) the Party to build a "backbone team" of private businesspeople that are "dependable and usable" in "key moments" – will compound the challenge for Chinese companies operating overseas. As part of Xi's agenda to re-insert the role of the Party in Chinese society, the line between private and public companies has blurred. Outbound Chinese private investors must now [register](#) their deals with no less than three government agencies. Most contentious is China's 2017 National Intelligence Law which requires private companies to cooperate with Chinese intelligence services. It was this law in particular that strengthened arguments supporting bans on Huawei. This new directive will likely give governments further reason to pause when approached by Chinese investors. Nominally private Chinese companies operating in strategic sectors of foreign economies may have their ownership reviewed. While Xi may see further UFWD influence as a practical way to leverage China's huge overseas economic presence, he may have handed a gift to the growing ranks of anti-China hawks.

Financial decoupling gains momentum

Parts of financial decoupling are no longer a fringe idea

While **US-China** decoupling has mostly been limited to technology, finance is increasingly emerging as a new front. **President Trump's** administration has previously mused about refusing to pay back \$US1 trillion in debt owed to China. There have even been [rumblings](#) about cutting off China's access to the US dollar system. So far at least, these ideas have failed to gain traction.

The US Treasury Department has proposed exclusion from US equity markets for Chinese "recalcitrants", an idea with serious potential to win bipartisan support. With the backing of widely respected financial regulators like Federal Reserve Chairman Jerome Powell, Treasury is [recommending](#) that non-compliant Chinese companies be delisted from US stock exchanges. For political and sometimes commercial reasons, certain US-listed Chinese companies – both private and state-owned – have persistently refused to submit their auditing records to the Public Company Accounting Oversight Board. This lack of transparency has at times cost US shareholders dearly, notably in the [Luckin Coffee](#) scandal. At least 156 Chinese companies with \$1.2 trillion market value are listed on the Nasdaq, NYSE and NYSE American. Barring an unlikely renewed spirit of cooperation, billions of dollars in listings appear to be at risk.

US ups the ante in the Pacific

The region is increasingly becoming a front in Sino-US tensions

Recent developments have underscored the growing geopolitical importance of the Pacific. In its annual report to Congress, the Pentagon noted how **China** has [broached](#) the prospect of establishing military facilities on both **Vanuatu** and the **Solomon Islands**. Current or

proposed Chinese [projects](#) in **French Polynesia** and **Kiribati** may also have both civilian and military applications. However, China's influence campaigns have not always gone smoothly. Anger over the decision to switch diplomatic recognition from **Taiwan** to China has helped fuel [secessionism](#) in the Solomon Island's province of Malaita. Authorities on Malaita are believed to have engaged in talks with the **US** and **Australia** about building a deep-sea port.

Cognisant of China's rising influence in the Pacific – which is still relatively limited, the US has recently negotiated to [build](#) additional military facilities in **Palau**. Washington is also believed to be considering beefing up its presence in the **Marshall Islands** and **Micronesia**, as well as the US territories of American Samoa and the Northern Mariana Islands. Located outside the proven range of China's so-called "aircraft carrier killer" ballistic missiles, these islands have the potential to be an important staging post for US operations in the region. Eventually, they [may](#) even host cutting-edge US missiles aimed squarely at China.

Realities on the ground may limit the success of intra-Afghan peace talks

Empty promises suggest Taliban's lack of commitment

[Negotiations](#) between the Taliban and the **Afghan** Government in **Qatar** are unlikely to succeed in the long-term without both military support from the **US** and Taliban commitment to the peace process. The Taliban's Deputy Leader Mulla Baradar Akhund has claimed that the group has met all terms outlined in the US peace accord signed in February. In reality, the Taliban has only met two of the seven conditions – the release of 1,000 Afghan prisoners and entering into negotiations with the Government. On terrorism, there are strong indications that the Taliban continues to provide [patronage](#) to al-Qaeda members. Islamic State cells in southern and eastern Afghanistan remain active and whilst some Taliban groups have fought against IS, other factions have also provided support to the terrorist group. On the opening day of talks, the Taliban seemed to make its intentions clear when it staged attacks in over half Afghanistan's provinces, killing and injuring over 100. President **Trump's** target of a 50 percent reduction in troops by early November seeks a short-term political win and risks further emboldening the Taliban. The US's closure of five bases will also reduce its air power, which has been critical in countering the Taliban's influence. It is unlikely that peace can be sustained with a full American withdrawal. Any 'successes' from the Doha peace process must be assessed based on realities on the ground.

Suga emerges as Japan's next Prime Minister

Suga has moved aside some key economic influencers

Yoshihide Suga has become Japan's new Prime Minister after the retirement of Shinzo Abe. Foreign policy and the economy are shaping as the most important issues facing the Suga prime ministership. When it comes to foreign policy, most countries in the Indo-Pacific will be hoping for continuity. Amidst escalating **US-China** competition, Abe's Japan has acted as a stabilising force, becoming the [most-trusted](#) major power in the region – no mean feat given the partially unresolved historical legacy of WWII. Whilst goodwill can be expected from most in the region, Suga's lack of foreign policy experience and inclination towards a focus on domestic affairs will present an early potential challenge for his administration.

Domestically, Suga has the unenviable challenge of finding a way to grow the economy whilst also managing Japan's US\$10.4 trillion debt. COVID19 has complicated the picture and Japan has already injected a stimulus equivalent to a whopping 42.2 percent of GDP. Suga has pledged to continue with Abenomics – monetary easing, fiscal stimulus and structural reform – however, he is known to be more receptive to fiscal tightening. Suga may

thus moderate stimulus packages with spending reforms. Suga's [reshuffling](#) of the Ministry of Economy, Trade and Industry and other [pronouncements](#) suggests that he will also re-emphasise structural and regulatory reform. Early indications are that minimum wages will be increased, a sign that the small enterprise sector – which has long resisted wage increases – has lost priority. Suga's key Ministers have promoted an image of very active acceleration of labour-saving technology – as well as childcare support and other policy designed to encourage a higher birth rate.

A failed counter-terrorism strategy creates room for opportunism in the Sahel

Turkey may be leveraging France's failure

The absence of a [cohesive counter-terrorism strategy](#) from **France** and the **US** in the **Sahel** has led to an increase in terrorism, creating a security vacuum that **Turkey** may seek to exploit. France has traditionally been the dominant power in the Sahel, spending US\$1 billion a year on security and deploying 5,100 troops. However, terrorism is continuing to escalate as highly mobile [militant groups](#) conduct increasingly sophisticated attacks. Regional bodies supported by France and the US are experiencing difficulties. Although the Economic Community of West African States (ECOWAS) pledged 3,000 military personnel in February, troops have not yet been deployed. The Multinational Joint Task Force developed by **Chad, Nigeria, Niger** and **Cameroon** has reportedly committed human rights abuses in its operations and has failed to coordinate with the G5 Joint Force. The G5 Joint Force – a partnership between **Burkina Faso**, Niger, Mali, Chad and **Mauritania** – is further undermined by its reliance on unpredictable US funding. In another blow, the **Trump** Administration has threatened to withdraw troops and close its new air base in Niger. As we have previously noted, President **Erdoğan** has quietly expanded Turkey's military presence in Africa. He may now be seeking to opportunistically use the region's chaos to boost Turkey's military footprint. With the two countries at odds in the Mediterranean, the Sahel may ultimately become another front in Turkish-Franco tensions.