

## CONSOLIDATED MONTHLY REPORT: DECEMBER 2021

### China's International Relations

1. **South China Sea (SCS)**. Both the carrier groups of the PLA Navy (PLAN) conducted exercises in the region. Coupled with the stand-off with Indonesia over the past few months, the ongoing maritime frictions seem to have prompted **Indonesia to call for a meeting with Brunei, Malaysia, the Philippines, Singapore and Vietnam in Feb 22 to “share experiences and foster brotherhood”**. China has also called for Indonesia to stop drilling in the Natuna Sea which the latter has rejected.
2. **Japan**. Japan's concern over China's actions, especially regarding Taiwan, are clearly rising with the former PM, Shinzo Abe, warning that **an invasion (of Taiwan) could meet the conditions for Tokyo to use military force**. Concerns over the Senkakus have also manifested in joint exercises between the Japanese armed forces and civilian administration to cater for a contingency of foreign occupation of these islands.
3. **Taiwan**. The near-daily flights of the PLA, into the Taiwanese ADIZ, have been strongly condemned by the US but have also not intimidated Taiwan, which, in its latest defence assessment, has stated that any Chinese invasion will not be easy. The Chinese protest to Taiwan's inclusion in President Biden's Summit for Democracy was visible in the increased air incursions on 10 Dec 21.
4. **Africa**. There are reports of Chinese intention to **establish a military base in Equatorial Guinea**, on Africa's west coast.
5. **Europe**. EU's increasing convergence with the US on issues like Xinjiang, Hong Kong, SCS, Taiwan, supply chain vulnerabilities and others, with regard to China, was clearly visible in the second high level dialogue between them. Lithuania's growing proximity to Taiwan has further manifested in the creation of a Taiwan-assisted semiconductor task force. The new German government, on the other hand, seems to be sending mixed signals with the **Chancellor, Olaf Scholz, indicating that he wants strong economic ties with China** while his Foreign Minister has pledged “*dialogue and toughness*” in dealing with China. Even as the German frigate, *Bayern*, completes its deployment to South East Asia, **the German Naval Chief has stated that such deployments are likely to continue in the face of the “explosive” growth of the PLAN**.
6. **USA**. The US continues to maintain the pressure on China with more Chinese companies, like SenseTime, an AI company that specialises in facial recognition software, being put on the investment blacklist. **The US has also announced that it will stage a diplomatic boycott of the upcoming Winter Olympics in Beijing to protest Chinese human rights abuses**. Nevertheless, China and the US are preparing for a meeting between their top military officials, as agreed during the virtual summit between the two Presidents.
7. **Latin America**. Nicaragua has broken off diplomatic relations with Taiwan and has recognised the PRC as the legitimate government that represents China. This leaves Taiwan with only 14 countries that recognise it.

## Neighbourhood

8. **Afghanistan.** China continued its engagement with the interim Taliban Government and its projection to the international community to provide necessary assistance to Afghanistan and unfreezing of Afghan reserves. China blocked the draft US resolution for waiver of sanctions against Afghanistan due to attached conditions and provided additional doses of COVID19 vaccines even as **Chinese mining companies visited Afghanistan to reconnoitre the resource sites.**

9. **Pakistan.** China-Pakistan bilateral trade continued to increase while the two countries started a joint technical education programme. China & Pakistan also resumed their Joint Economic Committee after 11 years. Pakistan National Security Advisor Dr Moeed Yusuf claimed that Pakistan has not given any military bases to China in Gwadar, Balochistan.

10. **Nepal.** A contract was inked between Nepal's Vianet and China Communication Service, Nepal to **expand high speed fibre network.** China-South Asia freight train service, linking Haidong, Qinghai province in China & Kathmandu in Nepal was launched. Delay in transportation of goods from China to Nepal and protests by Nepali students for re-entry into China kept the Nepali government occupied.

11. **Bhutan.** There is **fresh evidence of construction of four new Chinese villages inside the disputed territory between China and Western Bhutan.**

12. **Myanmar.** Myanmar **resumed export of rare earths to China** and is reported to have **accepted Yuan as the official settlement currency.** Myanmar has approached China for permission to domestically produce COVID19 vaccine.

13. **Maldives.** The Bank of China has retracted its offer to extend a loan for the construction of 1,700 housing units in Hulhumale. Chinese renewable energy firm, Sino Solar Hybrid Technology, signed an agreement with Maldives to provide a hybrid solar-diesel power system in the inhabited islands south of Male.

14. **Sri Lanka (SL).** China has provided USD 38 mn grant to renovate the Supreme Court complex in Colombo while SL has agreed to pay USD 6.7 mn in compensation to Chinese fertiliser company that had shipped a disputed fertiliser consignment to Colombo. **The proposed Chinese hybrid energy project, off the Jaffna peninsula, has been cancelled.**

15. **Bangladesh.** **5G was inaugurated in Bangladesh,** by a state-run cell phone operator **in collaboration with Huawei.** Bangladesh Power Development Board signed an agreement with China Machinery Engineering Corporation to develop Bangladesh's first ever waste-based power plant in Dhaka. Chinese companies, linked to CPEC projects, were reported to have evaded tax commitments in Bangladesh. China is believed to have scrapped two railway projects in Bangladesh after budget cuts.

## Economy

## 16. Internal

- National Bureau of Statistics (NBS) has revised down China's GDP growth for 2020 from 2.3% to 2.2% with slower than expected growth in real estate, tourism and restaurant segments. In its country report, **the World Bank has projected a growth rate of 5.1% for 2022 for China**, reflecting less favourable base effects and China's deleveraging efforts.
- Rare earth mining projects have been added by China in the newly released negative list of sectors off-limit to foreign direct investment in which overseas investors are prohibited from investing. China has also set up the China Rare Earth Group Co, an industrial conglomerate, through merging several key producers of the important mineral resources.
- The Central Economic Work Conference 2021 has identified **self sufficiency in agricultural products, minerals and energy as focus areas**. Addressing the supply of primary agricultural products as an important strategic issue, Xi Jinping (XJP) has renewed the focus on food security. His call for more cultivation of soyabean and oilseed crops, led to panic buying, stoked by fears about COVID19 variant and tensions with Taiwan.
- Due to multiple domestic challenges such as weather, COVID19 and environmental concerns for coal production, China has signed medium to long term thermal coal supply contracts for 2022 with 12 coal export enterprises from Russia, Indonesia and Mongolia during the 2021 China Import Coal Summit.

## 17. External

- **China - USA.** President Joe Biden has signed the "Uyghur Forced Labor Prevention Act" that bans importing of goods from Xinjiang into the US over concerns about forced labour. This has provoked condemnation from China.
- **China-Taiwan.** **Taiwan's investment figures for first eleven months indicate diversification away from the mainland.** Taiwan's investment into China has dropped by 14.5% and China's investment in Taiwan has reduced by 63% on yearly basis.

## Internal

18. Unlike Mao and Deng, XJP has not been able to eliminate all his rivals before history resolution was adopted. Hence, there continues to be resistance to XJP and debate over his policies, though it does not appear to be a major challenge.

19. **Tibet & Xinjiang.** In Tibet, Wang Junzheng, contemporary of XJP at Tsinghua University, took over as the Party Secretary after serving as Deputy Head in the Xinjiang Production and Construction Corps. Ma Xingrui took over as the Party Secretary of Xinjiang after incumbent Chen Quanguo demitted, apparently to be assigned another important role. Ma, a rocket scientist, was Governor of Guangdong since 2017.

20. **Hong Kong.** **Pro-Beijing candidates won eighty-two of ninety seats in the Legislative Council elections.** Voter-turnout was record low at 30.02% for the twenty directly-elected seats.

## **Military**

### 21. **New Induction**

- **Mobile Laser Weapon.** China has developed a mobile laser weapon system based on a modified Dongfeng EQ2050 Mengshi, 4x4 light vehicle. It can detect, track, and destroy Unmanned Aerial Vehicles at a maximum range of 3 km.
- **Coilgun.** Researchers at the Naval University of Engineering in Wuhan claim to have developed the **world's smallest yet most powerful coilgun.**
- **Giant Radio Signal Station.** Wuhan Maritime Communication Research Institute has designed a long-distance antenna to communicate with submarines. Likely location of the antenna is the Dabie Mountains (between Hubei, Anhui and Henan provinces) and it has a range of 3,000km.
- **Launching of Warships.** China launched three warships which included one Type 054AP Tughril-class warship (for Pakistan Navy) and one Type 071E LPD (for Royal Thailand Navy).

### 22. **Training & Misc**

- **Nuclear, Chemical & Biological Warfare Exercise.** A Combined Arms Brigade under the Tibet Military District reportedly conducted a combat drill involving anti-nuclear, chemical and biological warfare in Tibet.
- **Army Aviation Exercise.** Mixed assault and transportation elements under an Army Aviation Brigade of the 80<sup>th</sup> Group Army conducted a force projection exercise.
- **H-6J in Mine-Laying, Bombing Exercises.** PLAN Air Force's H-6J strategic bombers conducted sea mine-laying and bombing drills as part of a live-fire exercise in the SCS.
- **Aerial Incursions Into Taiwan's ADIZ.** **86 PLA aircraft** were reported to have intruded Taiwan's southwest ADIZ during the month of Dec 2021 **on 24 occasions.**

23. **China - Pakistan Defence Cooperation.** China has agreed to **supply 25 multirole J-10C fighters to Pakistan.** Pakistan's Interior Minister Sheikh Rashid Ahmed confirmed that a squadron of J-10C will participate in the Pakistan Day ceremony on 23 Mar 22.

## **Technology**

24. Huawei Technologies completed the development of Ultra-reliable Low-latency Communication (URLLC) technology which has wide applications in augmented / virtual reality, industrial, medical, unmanned driving sectors etc. China has built 17 innovative development pilot zones to carry out technology demonstrations, policy pilots, social experiments and innovate practical and effective policy tools to explore models integrating AI and economic development. **Oppo launched MariSilicon X, its first self-developed chip, using its 6-nanometer process technology which is claimed to be 20 times faster and halves energy consumption relative to chips in the current Oppo smartphone.**

## Space

25. During the month, China conducted **eight launches (including one failed launch) and launched eighteen satellites**. China is developing Tengyun, a spaceplane akin to the US space shuttles. China's Mars rover Zhurong and the European Space Agency's Mars Express spacecraft undertook an in-orbit relay communication test over a distance of approximately 4,000 kms.

## Social Media

26. **China**. Detention of Li Tiantian, a pregnant teacher in Hunan, in a psychiatric hospital, after she spoke out over the expulsion of a Shanghai lecturer who encouraged her students to verify accounts of the Nanjing massacre, attracted online criticism. Chinese citizens lashed out online against Tesla founder Elon Musk after Chinese space station was forced to take evasive action to avoid collision with Starlink satellites.

## 27. Other Issues.

- The Women's Tennis Association (WTA) announced the immediate **suspension of all WTA tournaments in China**, including Hong Kong, following Chinese tennis player Peng Shuai's allegation of sexual assault by Zhang Gaoli, the subsequent censorship of her comments and the lack of credible redressal by China.
- China's Ministry of Civil Affairs claimed that it had **renamed 15 villages of Arunachal Pradesh in Chinese characters**, as part of national effort to standardise the management of place names.
- Indian Space Research Organisation (ISRO) and Chinese origin Oppo India company have entered into a **MoU to exchange technical information of the messaging services of India's domestic navigation system NavIC**.

## Overall Assessment

28. The planned meeting of countries in SCS against the "bullying" tactics adopted by China in the region will likely discuss a possible joint response to China's actions. Chinese maritime interests in securing their SLsOC from West Africa and Latin America and their extensive fishing in the region seem to be guiding its activity in the western African coast. Germany appears to keep its economic interest in mind even as it is seen hardening its stand against China

29. China's efforts at making inroads in India's neighborhood are increasingly apparent with resumption of rare earth minerals delivery from Myanmar and Chinese companies being awarded contracts in the region. Payment of compensation by SL to a Chinese fertiliser company shows the vulnerability of small states in dealing with powerful countries in resolving diplomatic issues.

30. The World Bank has projected a moderate growth of China's economy in 2022 primarily due to renewed domestic COVID19 outbreaks and downturn in real estate sector. The absolute majority won by the pro-Beijing candidates in the Hong Kong Legislative Council elections was hardly surprising.

31. The PLA has sent nearly 1,000 warplanes into Taiwan's ADIZ this year and continues to conduct air and naval exercises targeting the island as well as other foreign military forces in the region. China has achieved 55 launches in this year establishing itself as a major player in the satellite launch industry. The danger of a collision in space almost came to pass when two Starlink satellites forced the Chinese space station to take evasive action.