

## CONSOLIDATED MONTHLY REPORT: JANUARY 2022

### China's International Relations

1. **South China Sea (SCS)**. SCS saw extensive deployment of the US Navy (USN) with two aircraft carrier groups and two amphibious ready groups exercising together with a Japanese carrier group. Meanwhile the USN also undertook Freedom of Navigation Operations in the Spratly and Paracel islands, which were vociferously protested by China. **In a sign of possible softening, the Chinese Foreign Minister, Wang Yi, (WaYi) assured that China will not use its strength to "bully" its smaller neighbours.**
2. **ASEAN**. China joined Laos, Myanmar, and Thailand for the conduct of the 113<sup>th</sup> Mekong River joint patrol even as it was building a mega-fence on its border with Vietnam, Laos and Myanmar, which it describes as a COVID-prevention measure.
3. **Japan**. Japan's fears over China's actions continue with the US-Japan Security Consultative Committee expressing concerns over China's activities in the East China Sea, coercive activities in the SCS and human rights issues in Xinjiang and Hong Kong.
4. **Taiwan**. As China continued its economic pressure on Taiwan, in the form of enhanced inspection and quarantine of live fish imports, Taiwan is looking to expand its avenues for trade with other countries. **Taiwan is trying to help Lithuania stave off Chinese pressure** by buying Lithuanian rum that was blocked from China. It is also setting up a USD 200 mn fund to invest in Lithuania.
5. **West Asia**. Foreign ministers from Saudi Arabia, Kuwait, Oman and Bahrain along with the Secretary-General of the Gulf Cooperation Council visited China. **China is also looking to exploit the current trend of countries of this region to branch out from oil-based revenues wherein China can dovetail its One Belt One Road (OBOR) initiative with their development plans.**
6. **Africa**. In keeping with the annual tradition of going to Africa, WaYi visited Morocco, Eritrea, Comoros and Kenya. During the visit, Morocco became the first country in North Africa to sign an OBOR cooperation plan with China. WaYi also mooted an "*Initiative of Peaceful Development in the Horn of Africa*" in Kenya, **indicating China's focus on this region.**
7. **Europe**. EU's concern over China's coercive actions was clearly underlined in the meeting of the EU Foreign Ministers which reaffirmed both the unity of the EU and the solidarity of member states with Lithuania. **Germany's approach to China is likely to change** with its Foreign Minister stating that the "*CAI (Comprehensive Agreement on Investment) is a farce as long as China sanctions members of European Parliament*". Slovenian PM Janez Janša, in an interview said that Slovenia intends exchanging representatives with Taiwan though not at the level of embassies. Expectedly, China has opposed this vehemently. On the other hand, China's engagement of major EU countries continued through forums like the 16<sup>th</sup> China-France Defense Strategy Consultation and the 8<sup>th</sup> China-UK Defense Strategy Consultation.

8. **USA.** Apart from the warship deployments to the SCS, the US also deployed a ballistic missile submarine to Guam, a sign of the increasing strategic pressure on China. The FBI's investigation of a Chinese investment in an aircraft start-up, Icon Aircraft Inc., following allegations of improper technology transfer to China, is aimed at denying technology to China.

9. **Other Issues.** The conduct of the second maritime exercise between China, Russia and Iran, in the Gulf of Oman, clearly **indicates a strategic convergence between the three countries.**

## **Neighbourhood**

10. **Afghanistan.** China and Afghanistan held their first meeting on working level mechanisms on humanitarian assistance and economic reconstruction. While China is trying to unfreeze Afghanistan's reserves, pine nut trade between the two countries continued to flourish. China is planning to hold **first business expo** in Afghanistan to increase the bilateral trade.

11. **Pakistan (Pak).** Chinese envoy met Gen Bajwa, amid rising security concerns to CPEC projects, even as Pak decided to compensate 36 Chinese nationals, who were injured in a terrorist attack last year. Pak PM launched the Pak-China Business Investment Forum while the Pak cabinet approved a Chinese funded Reverse Osmosis Desalination Plant at Gwadar. **Pak has extended the anti-dumping duties on Chinese companies for another five years.** China has reportedly helped Pakistan in loading fuel in Chinese assisted Karachi Nuclear Power Plant. Anti-China protests were witnessed in Pakistan's Sindh on the birth anniversary of Scholar / Politician GM Syed.

12. **Nepal.** Protests were witnessed against increased Chinese interference in Nepal's internal affairs and border intrusions. **China's reluctance to export chemical fertilizer has created a crisis for Nepal farmers.** Budhi Gandaki project, contracted to a Chinese company, will restart since the asset valuation dispute has reportedly been resolved.

13. **Myanmar.** China **transferred a former PLA Navy diesel-electric Ming-class attack submarine to Myanmar.** A ceremony to launch the renovation project of Thatbyinnyu Pagoda, aided by China, was held in Myanmar's Bagan. It is one of the 400 pagodas damaged by an earthquake.

14. **Bangladesh (BD)** The BD government signed a contract with a Chinese consortium on a four-lane expressway, around Dhaka, under a Public Private Partnership. Under the deal, the Chinese consortium will build and maintain the expressway for the next 25 years, investing USD 250 mn, while the Bangladeshi government will invest USD 145 mn.

15. **Sri Lanka (SL).** WaYi visited Colombo during which SL was promised a grant of USD 125 mn. The SL President requested WaYi to reconsider **restructuring of its debt repayment** to China. The Governor of Sri Lankan Central Bank also alluded to the possibility of **fresh lending by China to SL.** WaYi proposed to recommence talks on

FTA and to consider the possibility of a 'Forum for Indian Ocean Island Countries'. WaYi also indicated his reservation on any third party (India) interference in China-SL relations.

16. **Maldives.** WaYi also visited Maldives amid reports of the 'India Out' campaign, by the former Maldivian President Abdulla Yameen (Pro-China) and the present Solih Government's total rejection of the same, citing it as 'Non Representative'. The visit resulted in a five point agreement that included mutual visa exemption for 30 days, economic and technical cooperation, infrastructure projects and cooperation on health projects. WaYi made a mention of XJP's Global Development Initiative (GDI) in Maldives, but did not the raise the issue of 'Forum for Indian Ocean Island Countries', as he did in SL. He also proposed recommencement of talks on FTA by tapping the opportunities provided by RCEP agreement and China's vast market.

## Economy

### 17. Internal

- The International Monetary Fund (IMF) has **cut China's 2022 forecast economic growth by 0.8% to 4.8%**, primarily due to disruptions caused by the pandemic and pressure on the country's property sector.
- Despite US sanctions China managed to restock its state oil reserves with four million barrels of Iranian crude. The refilling of China's strategic petroleum reserves also comes ahead of a plan to release oil from its emergency stockpile in a rare coordination with the US to help keep global oil prices in check.
- China has launched a **three-year campaign (2022-2024) to fight money laundering in a bid to safeguard national security and social stability**. Besides this, China has also pledged to crackdown on the speculative trading of iron ore and stabilise the domestic market after "abnormal" price rise in recent weeks.

### 18. External.

- **India-China.** As a fall out of tax evasion case of Xiaomi, China has expressed concern over the business environment in India and urged India to provide a fair, transparent and non-discriminatory environment for Chinese enterprises.
- **China-USA.** US Senate introduced a legislation which would ensure that defence contractors **stop buying rare earths from China by 2026 and create a permanent stockpile of strategic minerals**. US announced setting up of America COMPETES Act of 2022, with the aim of **strengthening its supply chains**. In response to WTO's ruling in favour of China to retaliate against USD 645 mn in annual goods trade with the US (over the latter's anti-subsidy tariffs on Chinese goods), China called on the US to take immediate action to correct its wrong practices against China.

## Internal

19. XJP called for intensified **promotion of CPC's history and an unwavering drive against corruption at a study session of the Party School**. Senior state officials, including former Vice-Minister Sun Lijun from the Ministry of Public Security, who had been part of the team sent to Wuhan after the COVID-19 outbreak, have been expelled from

CPC, punished, and forced to confess their wrongdoings publicly. Promotion of XJP's cult of personality continued with official propaganda highlighting his leadership and ideology as core to China's successes.

20. With the number of births dropping for the fifth consecutive year, the **Chinese government is pressuring CPC members to have a third child**. However, many CPC members are reported to have complained that they cannot afford to have more children without cash assistance.

21. **Tibet**. At the local "two sessions" of the CPC in Tibet, Yan Jinhai was elected Chairman of the Tibet Autonomous Region. A new directive by the Chinese government reportedly mandates that Tibetans looking for work in their region's state sector must first renounce all ties to the Dalai Lama.

22. **Xinjiang**. China agreed to allow the UN High Commissioner for Human Rights to visit Xinjiang after the Beijing Winter Olympics.

23. **Hong Kong**. 90 new legislators of the 7<sup>th</sup> Legislative Council took office, all belonging to the pro-Beijing camp. Two independent news outlets, Citizen News and Stand News closed down operations and dismissed all staff after a raid from the National Security Police for allegedly publishing seditious content.

## **Military**

### 24. **New Induction**

- **Quadruped Bionic Robot**. China has reportedly developed world's largest electric-powered quadruped bionic robot for logistics delivery and reconnaissance in high altitude areas. It can carry up to 160 kg payload at a speed of 10 kmph. It has also developed another bionic robot which can carry 40 kg payload.
- **Type 075**. PLA Navy's second Type 075 landing helicopter dock (LHD) Guangxi has been commissioned.
- **Wing Loong-1E**. Wing Loong-1E, the upgraded version of Wing Loong, made its maiden flight. Wing Loong-1E is comparable to the MQ-1C Grey Eagle of the US.

### 25. **Training & Misc**

- **2022 Military Recruitment**. Military recruitment for the first half of 2022 will start on 15 February and for the second half of 2022 from 15 August onwards.
- **Type 055**. PLA Navy's 10,000 ton-class Type 055 destroyer, Lhasa, conducted intensive naval exercises in the Yellow Sea.
- **6G for Hypersonic Missile Detection**. Chinese scientists have demonstrated that terahertz band frequency (used for 6G communication) could be used for hypersonic vehicle detection and tracking.

26. **PLA Mobilisation Order for 2022**. XJP signed a mobilisation order to start the training of the PLA in 2022. The order requires the PLA to "*closely follow the evolution of technology, warfare, and rivals*", improve combat operations training, and enhance "*systematic training and the use of technologies*".

27. **Promotions.** China's CMC issued order for promotion of seven military officers (five Political Commissars and Commanders of Central Theatre Command and PLA Rocket Force) to the rank of General.

28. **Aerial Incursions Into Taiwan's ADIZ.** PLA aircraft intrusion into Taiwan's ADIZ continued with a distinct spike during the period of deployment of the USN aircraft carriers in the region. PLA aircraft incursions were tracked on 19 days (122 aircraft) this month in Taiwan's southwest ADIZ.

## **Technology**

29. Chinese scientists implemented twin-field quantum key distribution through a 833 km optical fibre, setting a new world record. Chinese researchers also developed an AI system that can teach Chinese combat drones to win dogfights many times faster than comparable US technology. As per some reports, **US and Japan may cooperate with like-minded countries in Europe to block export of advanced technologies to China via the creation of a multilateral technological export regulation framework.** China's second nuclear power generator using Hualong One technology started generating power marking another milestone in the commercialisation of China's self-developed nuclear technology.

## **Space**

30. China conducted two launches this month in which it launched two satellites. China issued a **White Paper on its Space Programme** which covers China's purposes, principles, policies and measures, cooperative mindset in its space exploration and summarises China's achievements in space science, space technology and space application. China approved the fourth phase of its lunar exploration program, which includes the construction of a scientific exploration base at the South pole of the Moon. **China formally announced that it would help Pakistan to build a space centre where they would likely build satellites.**

## **Social Media**

31. Public displeasure has poured out on social media against harsh Chinese measures to contain COVID-19. Sina Weibo banned Evergrande Group's former Chief Economist Ren Zeping after his remarks (to establish a 2 tn-yuan fertility encouragement fund to support the goal of giving birth to 50 million more children in 10 years) sparked a public debate on the internet, with many expressing shock. A state media documentary on anti-corruption campaign has provoked unexpected public skepticism since the drive apparently failed to effectively curb graft / bribe-taking and the punishments have not deterred corrupt officials. COVID-19 related news from India received wide traction and coverage with most comments ridiculing India's epidemic-prevention measures. Explosion onboard INS Ranvir and India's ability to build its space station by 2030 was adversely commented upon in the media. India's R-Day celebrations were widely shared with comments appreciating India's cultural diversity being showcased and noting the display of military hardware.

## **Overall Assessment**

32. China seems to be stepping up its engagement with countries in the West Asia region, especially as it views an opportunity amidst perception of a US withdrawal from the region. Joint exercises between the navies of China, Russia and Iran are intended to send a signal to the US that there are alternatives to US-supported security arrangements in the region. WaYi's visit to Mauritius is important in view of the scheduled Presidential elections there in 2023. China continued to make inroads in South Asia, however, anti – China sentiment is apparent on the streets in Pakistan and Nepal. Any fresh lending by China to SL will result in the latter getting even deeper in debt crisis.

33. While China may continue to claim a growth rate of 5.5% in the current year, the IMF does not appear to back the same. Recognising the pitfalls associated with the drop in the number of births for the fifth consecutive year, China is coming out with novel methods to reverse this trend. International pressure may have forced China to allow the UN High Commissioner for Human Rights to visit Xinjiang. The new training mobilisation order for the PLA indicates that the technology will play a key role in enhancing PLA's effectiveness.