

## CONSOLIDATED MONTHLY REPORT: FEBRUARY 2022

### China's International Relations

1. **South China Sea (SCS)**. Chinese Coast Guard and Philippine naval ships appear to be involved in a standoff in the proximity of Scarborough Shoal. The Chinese navy is undertaking exercises in the SCS region while the US Navy and USAF continue their deployments.
2. **Japan**. The recent adoption of a resolution by the Japanese parliament on what it called the "serious human rights situation" in China and the Japanese navy's exercise with the US Navy in the East China Sea to boost "**joint deterrence capabilities**" clearly indicate an upward trajectory of tensions in the bilateral relationship with China. A sign of this was also visible in the temporary detention of a Japanese diplomat by Chinese police in Beijing.
3. **Taiwan**. Taiwan is gradually strengthening its defences through large-scale exercises and purchase of US weaponry, like the Patriot missile system. It is also strengthening its partnership with countries like Guatemala, and Somaliland, to whom it donated USD 500,000 as drought relief. **With the aim of denying China transfer of core technologies, Taiwan is making economic espionage a punishable crime with severe penalties.**
4. **West Asia**. China plans to **rebuild and redevelop Iran's airports** over an on-going, two-decade series of re-development projects. Signs of increasing Chinese influence are also visible in the recent Turkish decision to reject citizenship and residence permit application of thousands of Uyghurs living in Turkey.
5. **Africa**. China **inaugurated a Chinese funded-and-constructed Leadership School in Tanzania**, which is intended to train local political party officials.
6. **Europe**. EU's economic frictions with China continue as it filed a case against China at the World Trade Organisation (WTO) for restricting EU companies from going to a foreign court to protect and use their patents. Meanwhile, Taiwan, Canada and Japan have requested joining EU's case at the WTO which accuses China of blocking Lithuanian goods. **Belgium has highlighted Chinese phone makers, like Huawei and Xiaomi, as an espionage risk for users.** Notwithstanding these issues, **France and China have unveiled plans to jointly build seven infrastructure projects** worth over USD 1.9 bn in Africa, SE Asia and Eastern Europe.
7. **Ukraine Crisis**. China has not yet criticised Russia about its military actions in Ukraine, though it has supported Ukraine's sovereignty and territorial integrity. However, China seems to be chastising Russia through its emphasis on dialogue for resolution of the issue. It has been especially critical of the US and NATO and blames them for precipitating the crisis. While US criticised China's stand on the crisis, **Germany stated that if China looks the other way, Germany "cannot have normal relations" with it.**

8. **USA.** The US has made it clear that it has "no intention" of engaging with China in the forthcoming Indo-Pacific Economic Framework mentioned in the Indo Pacific Strategy. US also brought criminal charges against China-based telecommunications company Hytera, accusing it of conspiring to steal Motorola's digital mobile radio technology.

9. **Latin America.** The recently concluded Winter Olympics in China provided a platform for renewed engagement with Latin America as **Argentina signed a MoU for the OBOR.** Ecuador also expects to sign a trade deal with China this year as agreed during discussions between the two Presidents on the occasion of the Olympics.

10. **Australia.** Friction between the two countries continued with China banning Australian beef and Australia accusing a Chinese naval vessel of "lasing" an Australian maritime patrol aircraft in the Arafura Sea.

### **Neighbourhood**

11. **Afghanistan.** China and Pakistan have indicated their willingness to **engage Afghanistan for extension of CPEC in Afghanistan.** The Special Inspector General for Afghanistan Reconstruction has indicated that **Chinese companies continue exploring ways to access Afghanistan's lithium and copper mines.**

12. **Pakistan.** PM Imran Khan visited China to attend the opening ceremony of the Winter Olympics. **The Joint Statement issued thereafter appears to be rhetorical and lacks anything significant** on important issues like financing of ML1 project, CPEC Phase II and additional investments. Pakistan's Board of Investment and China's National Development and Reform Commission (NDRC) have signed a Framework Agreement on Industrial Cooperation under the CPEC that is expected to expedite establishment of SEZs.

13. **Nepal.** Nepal's trade with China continues to be affected by China's undeclared blockade to the cross border move of containers amidst the Covid-19 restrictions. Nepal Parliament ratified the Millennium Challenge Corporation Compact amid protests from pro-China Nepali parties. **A leaked Nepalese government report has indicated China's encroachment into Nepali territory.**

14. **Myanmar.** The rebels in Myanmar destroyed a China-backed oil and gas pipeline facility at Mandalay region's Natogyi Township. **The junta in Myanmar is reportedly requesting China's assistance in internet censorship and surveillance.**

15. **Sri Lanka (SL).** Even as China and SL celebrated the 65<sup>th</sup> anniversary of their diplomatic ties, China's Qingdao Seawin Biotech Company, which was involved in the fertiliser row with SL, reportedly increased its prices of fertilizers for SL.

16. **Bangladesh.** Two Chinese companies won the contract for construction of two elevated expressways. China expressed its reluctance in funding two vital railway projects in Bangladesh, citing downward cost revision even as a Chinese capital management firm was launched in Dhaka for the first time. **Bangladesh seems to be planning to establish a rail link with Nepal, Bhutan and China through India.**

## Economy

### 17. Internal.

- China has been ramping up efforts in the form of increased subsidies and incentives to safeguard its **food security**, with emphasis on self sufficiency in soyabean and grain production. China's No.1 central document focuses on food security and rural vitalisation which is aligned with one of the focus areas of Central Work Economic Conference 2021.
- As per Society for Worldwide Interbank Financial Telecommunication, renminbi (RMB), or the yuan, has retained its position as the fourth most active currency for global payments by value in January 2022, with a share of 3.2%.
- China is encouraging steel industry consolidation through M&As among firms. Chinese regulators have also summoned iron ore producers with the aim to maintain price stability.

### 18. External.

- **Regional Comprehensive Economic Partnership (RCEP).** Hong Kong (HK) has submitted an application to join RCEP. As per some reports, RCEP offers new development opportunities to HK since the Guangdong - HK - Macao Greater Bay Area lies in the geographic centre of the RCEP member states.
- **Comprehensive Trans Pacific Partnership (CPTPP) Agreement.** China is in talks with CPTPP members for accession procedures, showing its willingness to adhere to the rules and standards of the CPTPP via reforms, while committing to greater market access.
- **China-USA.** US Trade Representative office's, 2021 Review of Notorious Markets for Counterfeiting and Piracy included two first-time online Chinese entries – the AliExpress and WeChat e-commerce ecosystems – in addition to long-time entries Baidu Wangpan, DHGate, Pinduoduo and Taobao. Peterson Institute for International Economics (PIIE) report on Phase one trade agreement **calls the agreement a historic failure with China not importing USD 200 bn worth of exports from the US.** (57% of committed exports bought). The US Commerce Department added 33 Chinese entities to its '*unverified list*' which requires US exporters to go through more procedures before shipping goods to the entities.

## Internal

19. Preparations are underway for the upcoming National Party Congress (NPC) session in March at the local and provincial levels. All 31 provincial-level governments have announced their policy goals for the new year while delivering their annual work reports to local legislatures, possibly in anticipation of the deliberations over a draft amendment to the Organic Law of the Local People's Congresses and Local People's Governments at the NPC.

20. **Tibet.** Restrictions and security measures within Tibet were ramped up ahead of the Winter Olympic Games. In Lhasa, Wang Junzheng, Party Secretary in the Tibet Autonomous Region, visited monasteries and reminded monks to be “*patriotic and law-abiding*” citizens and remain loyal to the party. In Sichuan, severe restrictions were placed on Tibetans movement and a few, with politically inappropriate content on their cell phones, were sent to labour camps.

21. **Hong Kong (HK).** Caspar Tsui Ying-wai, Secretary for Home Affairs, resigned over “*partygate*” scandal which was an embarrassment for the pro-Beijing camp. CE Carrie Lam delayed the Chief Executive’s election by more than a month, supposedly due to the surge in Covid-19 pandemic.

## **Military**

### 22. **New Induction**

- **New Emergency Winter Equipment.** A team from PLA Army Research Institute conducted on-site testing of high altitude extreme winter equipment like inflatable tent, new thermal insulation water tank and improved tent for extremely cold condition.
- **Y-12.** An aviation transport brigade under the PLA airborne troops took delivery of new Y-12 transport aircraft. The Y-12, which replaces the older Y-5, will be used to undertake training missions for paratroopers and special forces missions.

### 23. **Training & Misc**

- **Joint Parachute Jump Exercise.** The PLA Army Special Operations Academy and a PLAAF unit jointly conducted parachute jump training over the sea, wherein, troops participated with full battle load focusing on sea survival training.
- **Ex Cobra Gold 2022.** PLA personnel participated in Exercise Cobra Gold 2022 in Thailand, a Humanitarian Assistance Disaster Relief exercise, via video link.

### 24. **Defence Cooperation.**

- **China - Pakistan.** As per reports, **Chinese J-10C fighter aircraft, with Pakistan Air Force's markings, have started test flights.**
- **China - Bangladesh.** A Chinese company has reportedly been chosen as a partner for the FM-90 missile maintenance centre to be established in Bangladesh. This maintenance and overhaul facility could also serve as a production line for the same missile and its upgraded variants.
- **China - UAE.** UAE may enter into a contract with China to acquire 12 L-15 training and light combat aircraft with an option to further increase it 36.

25. **Taiwan.** A total of 70 PLA aircraft violated Taiwan’s Air Defence Identification Zone on 17 days during the month.

## **Technology**

26. China released a **new quantum computing programming software** called isQ-Core which has been deployed on the world's leading superconducting quantum hardware platform. Fuqing nuclear power unit 6 of China Nuclear Power Group reached 100% full power operation for the first time with normal parameters.

### **Space**

27. During the month, **China conducted 2 launches and launched 23 satellites.** China's new-generation manned launch vehicle is reported to have a reusable first stage that can land vertically. China's BeiDou and Russia's GLONASS signed an agreement on cooperation of the global navigation satellite systems.

### **Social Media**

28. The Beijing Winter Olympics dominated Chinese social media, while, for the Ukraine war, besides accidental post of censorship instructions banning any anti-Russia content by a news site, social media space was filled with speculations, real time reporting and diverse views. The plight of Chinese people stuck in Ukraine due to the Russian invasion, also garnered attention. The choice of Galwan 'Hero' Qi Fabao as an Olympic torchbearer, which has been labeled as politicisation of Olympics, was countered with Qi Fabao being called an ambassador for global peace. India's banning of 54 apps and the search by Indian tax authorities on Huawei and the company's response was seen on the social media.

### **Overall Assessment**

29. While China's relations with Japan and Australia continue to show signs of increase in tensions, China's relations with countries in West Asia and Latin America seem to be on the upswing. Even though China has not spoken against Russia on the Ukraine conflict, it does seem that there exists some support for Ukraine amongst the general populace. Signing of agreement between BeiDou and GLONASS is another sign of the growing cooperation between the two countries in the field of space. Security concerns about China remain high in Europe. CPEC seems to be gaining prominence with China and Pakistan looking to extend CPEC into Afghanistan and also signing the agreement on industrial cooperation with Pakistan. China is likely to soon start delivery of the J-10C aircraft to Pakistan. Fissures seem to be appearing between Nepal and China.

30. As the world's largest offshore Chinese yuan trading hub, HK may develop into a Chinese currency settlement centre for all RCEP member economies, if its application to join RCEP is accepted. China's request for accession to CPTPP, which requires unanimous consent of all active members, seems highly optimistic considering that China's relations with Australia, Japan and Canada have significantly soured in recent years. The report on counterfeiting and piracy is not surprising since counterfeiting costs the global economy almost USD 464 bn annually.