

CONSOLIDATED MONTHLY REPORT: MARCH 2022

International Relations

1. **South China Sea (SCS).** The Scarborough Shoal remained a friction point with the Philippines lodging an official protest with China for the close quarter manoeuvring of a Chinese Coast Guard (CCG) vessel with a Philippine Navy ship. Protests against China's naval activity by countries in the region continued during the month even as US, Australia and Japan conducted a trilateral naval exercise in the region.
2. **Taiwan.** While reports of near-daily flights of PLA aircraft into Taiwan's ADIZ continued, the loss of the Chinese Y-8 ASW aircraft seems to have reduced flights of this platform during the month. However, China has yet to publicly acknowledge this loss. The visit of a US delegation of former senior defense / security officials and the former Secretary of State Mike Pompeo to Taiwan drew expected sharp condemnation of the US from China.
3. **Africa.** The construction of an ultra-modern nuclear energy laboratory in Tanzania for testing and maintenance of radiology equipment and instruments, by a Chinese company is a new dimension of Chinese engagement in Africa. Concurrently, the unearthing of the "bad" terms of the Uganda-China's Exim Bank Entebbe Airport loan agreement by a parliamentary committee, also demonstrates the growing wariness of such engagement.
4. **EU.** Suspicions of Chinese malfeasance remain high in EU with Italy banning the sale of Alpi Aviation, a military drones company to China Railway Rolling Stock Corporation, a Chinese state owned rail company. EU's condemnation of China's record of human rights was also visible in the Norwegian sovereign wealth fund's exclusion of Li Ning, a Chinese sportswear manufacturer, on this account.
5. **Ukraine Crisis.** There is a growing focus on China due to suspicions of it providing support to Russia in the ongoing crisis in Ukraine. The US has been vocal in calling on China and even warning it about the consequences the latter could face if it helped Russia evade sanctions imposed by the West. Absence of similar strong statements from EU however, seem to indicate a divergence in the trans-Atlantic approach on this issue. Nevertheless, China appears to have adopted an approach of cautious but strong public support to Russia while taking actions to mitigate the effect of the Western sanctions in its economic engagement with Russia.
6. **USA.** The Ukraine crisis dominated bilateral relations between the two countries with a meeting between the US NSA and Yang Jiechi as also a phone call between the two Presidents. The divergence in approach between the two was clearly visible with the US readout of the call focusing only on Ukraine while the Chinese one detailed a number of bilateral issues like Taiwan as also the Ukraine crisis.
7. **Pacific Islands.** Reports of a draft agreement between China and the Solomon Islands for providing access to Chinese military vessels and forces has led to expression of concern by Australia and US.

Neighbourhood

8. **Afghanistan.** China's Foreign Minister (FM) Wang Yi (WY) made an unannounced visit to Afghanistan and met the Taliban's interim FM and the first Deputy Prime Minister (PM). The interaction focused on various bilateral and multilateral issues. China hosted the third FMs' meeting of Afghanistan's neighbours, also attended by Taliban government's acting FM, to review the Afghanistan situation. FMs of Indonesia and Qatar were invited for the meeting as "guests". China also organised a meeting of the Special Representatives for the Afghan issue, comprising the US, Russia and Pakistan on the sidelines of the FMs' meeting.

9. **Pakistan (Pak).** WY visited Pak to attend the 48th Session of Organisation of Islamic Cooperation (OIC) Council of FMs, as a special guest (first time). He also met Pak President, PM, FM and the Chief of Army Staff on the side lines of the OIC meet. He proposed four areas for cooperation during his meeting with Pak FM - to include mutual support, common development, counter terrorism cooperation and maintaining multi lateral coordination. Pak Armed forces Defence S & T Organisation is reportedly collaborating with Chinese researchers on Infectious Bursal Disease Virus.

10. **Nepal.** WY visited Kathmandu and met Nepal's President, PM, FM and former PMs. Nine agreements were signed between the two sides, including economic and technical cooperation, connectivity, power infrastructure, trade tariffs and health. China's stringent restriction on cross border move of goods containers continued.

11. **Myanmar.** China expressed concern over fresh fighting between Myanmar military and Ethnic Armed Groups (EAGs) close to Chinese Border. China bought 7,10,000 tons of beans from Myanmar. 115th Mekong River joint patrol was completed with participation from China, Myanmar, Thailand and Laos.

12. **Bangladesh (BD).** The first super-heavy equipment of BD's largest fertilizer factory was installed with Chinese assistance. A USD 71 mn contract was awarded to a Chinese company to dredge rivers as part of a World Bank-financed project. The Chattogram Development Authority has assigned a Chinese company to carry out a feasibility study of a project for building another tunnel under Karnaphuli River. Chinese Ambassador to BD rejected the earlier reports (in Feb 2022) of a missile facility, being constructed by China in BD.

13. **Sri Lanka (SL).** China maintained its silence on SL's proposal on debt restructuring even as it continued its push for resumption of FTA negotiations with SL.

14. **Maldives.** China and Maldives reportedly held discussions on boosting law enforcement cooperation.

Economy

15. **Internal.** The readout of the Government Work Report (GWR) during the Two Sessions stressed on China requiring "arduous" efforts to achieve the target growth of 5.5%

for 2022, which is higher than the GDP forecast of 4.8% by IMF (Jan'22). The key economic and development targets that China has set for 2022 include creation of 11 mn new jobs; consumer price rise of 3%; maintaining a more or less equal income growth and economic growth; stable and improved imports / exports and balanced international payments and grain output of over 650 mn metric tons. The focus on securing industrial chains and technological breakthroughs at the opening of the National People's Congress (NPC) pointed towards vulnerabilities stemming from external dynamics. Stability was mentioned 76 times in the GWR, signalling Xi Jinping's (XJP's) priority in times to come.

16. External.

- **India-China.** Annual inspection by the RBI found that the Paytm Payments Bank's servers were sharing information with China-based entities which indirectly own a stake in the company.
- **China-Saudi Arabia.** The Ukraine crisis and the ensuing US sanctions have triggered discussions between Saudi Arabia and China to move towards using the Yuan for oil sales. Saudi Arabian Oil Co. is reviving efforts to tap more deeply into China's energy market with the resumption of a USD 10 bn refining and petrochemicals JV that was suspended nearly two years ago.
- **China-USA.** The US is to start a review of the first group of tariffs on more than USD 300 bn worth of Chinese imports that is needed to prevent their expiry. US trade representative Katherine Tai stated that efforts on a phase-two deal with China have faltered and that the US needs to deepen economic relations with traditional allies and countries in Asia and Africa. AmCham Survey report indicated that US businesses in China are hesitant about increasing investment due to rising regulatory uncertainties and pessimism over market access and economic growth concerns.

Internal

17. The 2022 Two Sessions (NPC and Chinese People's Political Consultative Conference) were held this month. XJP's focus on political stability, as he seeks a third tenure in the upcoming Party Congress, was evident in the GWR delivered by Premier Li Keqiang. During the "Two Sessions", delegates from across China also proposed ideas to increase China's birth rate including lowering the minimum age for marriage.

18. China is facing its worst Covid-19 outbreak since the early days of the pandemic in Wuhan in 2020. At a Politburo meeting, XJP declared that the local officials would be held accountable if they failed to control the outbreaks in time. Since then, more than 70 Chinese officials have been sacked or disciplined.

19. **Tibet & Xinjiang.** China is working to link Tibet and Xinjiang with the new North South National Highway 216 (also known as G216) which would serve as an alternative for the G219 (Aksai Chin) road. Politburo Standing Committee member and head of Party's Xinjiang Affairs Leading Group, Wang Yang visited Xinjiang on an inspection tour. The tour affirmed the government's recent emphasis on the region's economic development following

the replacement of Xinjiang Party Secretary Chen Quanguo with Ma Xingrui in December 2021.

20. **Hong Kong (HK).** New surveys suggest that nearly half of the EU companies in HK plan to fully or partially relocate operations and staff out of the city due to tough Covid-19 travel and quarantine restrictions. HK Chief Executive Carrie Lam conceded that anti-pandemic measures have contributed to the brain drain. Rear Admiral Lai Ruxin, former Dy Director of the Political Work Department of Northern Theatre Command was appointed Political Commissar of the PLA HK Garrison.

Military

21. **New Induction**

- **Heavy Duty Drone.** China has reportedly demonstrated utilisation of heavy duty drone in transportation of logistics (loads of 300 kg) at an altitude of 3,000 metres in TAR.
- **Type 052D Destroyer.** PLAN has commissioned two new Type 052D destroyers (Zhanjiang and Jiaozuo) this month.
- **J-11B Inducted in PLAN.** Upgraded version of J-11B aircraft (with AESA radar) has been inducted into the PLAN and, some of these aircraft also participated in an exercise over the SCS.
- **AI Designed Hypersonic Missiles.** Chinese researchers are reported to have developed an AI system that can design hypersonic weapons independently. Shock waves identified by the AI during the experiment matched 85% of those marked by human experts with an overall accuracy which was four times that of traditional computer software.

22. **Training & Misc**

- **Combat Readiness Drill in TAR.** Troops from the PLA regiments based near Shigatse carried out combat readiness drill in the Tibet hinterland on 07 Mar 22. 10th Mar is celebrated as Tibetan uprising against the China's occupation of Tibet, and similar drills were also reported during the first week of Mar in 2018 and 2020.
- **Joint Operations.** PLA is training its commanders on joint operations wherein, cross training of officers has been increased and to that end, army officers were deployed on naval vessels and air force officers were deployed with PLARF units.
- **Joint Sea Training.** PLAN ships carried out far seas joint training exercises in combat operations, air defence, support operations and equipment performance in the SCS, East Indian Ocean and West Pacific Ocean.
- **Defence Budget.** China has increased its defence budget by 7.1% (approx USD 233.5 bn) for 2022.
- **Aerial Incursions in Taiwan's ADIZ.** Nine aerial incursions by Chinese aircraft were reported during the month wherein a total of 34 aircrafts intruded into Taiwan's Southwest ADIZ.

23. **Defence Engagement / Cooperation**

- **China-Saudi Arabia.** China and Saudi Arabia signed an agreement to build military drones in Saudi Arabia. The agreement will facilitate the Chinese company to set up R&D centre and manufacturing units in Saudi Arabia.

- **Defense Services Asia (DSA) 2022.** More than 20 Chinese defense companies participated in the 17th edition of DSA 2022 which was conducted at Malaysia International Trade and Exhibition Centre, Kuala Lumpur.

Technology

24. China has expanded its application of BeiDou Navigation Satellite System, to support underground transportation in Beijing, using 5G technology. China issued Guidelines for the Construction of the Internet of Vehicles (IoV) Cybersecurity and Data Security Standard System for addressing the cybersecurity and data security needs of China's IoV network and strengthening the standards and technical requirements for the connected vehicle and smart traffic industries. China seems to have mastered the 4th gen nuclear technology which uses high-temperature gas-cooled modular pebble bed advanced nuclear technology.

Space

25. During the month, China conducted three launches and launched 11 satellites. China has reportedly developed 'Relativistic Klystron Amplifier', a laser weapon, which can be used to jam or destroy satellites in space. China and Saudi Arabia have signed a MoU to collaborate on the development of innovative space technologies, satellites, AI and geospatial products.

Social Media

26. Indian netizens supporting Russia in the Ukraine crisis was widely shared and discussed with Chinese commentaries trying to position the Indian view on the subject as being "anti-West" and "similar to what China thinks". Reports on India planning to buy Russian oil against US advice gained wide traction and visibility. India was praised for keeping its self interest in mind and not bowing down to Western pressure. WY's visit to India was commented on, but reactions and engagement were subdued. Commentaries in lead newspapers are being circulated, propagating the view that narratives of India and China have a common stance and outlook on multiple issues.

27. Covid-19 outbreak across mainland and HK continue to garner attention. Closure of Disney resort in Shanghai, mass testing being ordered for Nanjing, Shanghai and other major cities and increased videos of people crowding testing centres etc. have been widely shared. Online censors deleted opinions questioning XJP's "dynamic zero-Covid-19 policy".

Overall Assessment

28. Incident like the one between the CCG and Philippines naval ship has pushed the Philippines to consolidate its alliance with the US in the recent past while also looking at new partnerships. As has been remarked earlier too, there is a distinct trend of a growing Chinese technology footprint in the African continent. The ongoing crisis in Ukraine has led to a lot of speculative reports focusing on the military unification of Taiwan, both in the Taiwanese and Chinese media, notwithstanding the underlining of stability in the recently concluded 'Two Sessions'.

29. The US review of the first group of tariffs against Chinese imports may bring new scrutiny of the tariffs' effectiveness. China's enhanced defence budget is likely to provide further impetus to the PLA's ongoing restructuring and modernisation, and will enable it to achieve military modernisation goals in the near future. Development of the new North South National Highway 216 would enable easy and fast access to the PLA, in case G219 is disrupted.