



**Delhi Policy Group**

Advancing India's Rise as a Leading Power



# DPG China Monitor

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**Delhi Policy Group**

Core 5A, 1st Floor, India Habitat Centre, Lodhi Road, New Delhi- 110003

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## **DPG China Monitor**

The DPG China Monitor features developments related to China during the month and is compiled by our research team comprising Brig. Arun Sahgal (Retd.), Senior Fellow, Angana Guha Roy and Sanket Joshi, Research Associates, from open-source reports and publications.

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## Abstract

Even with Eastern Ladakh's in icy winter conditions, there appear to be no early prospects of de-escalation or disengagement in the seven month long India-China border standoff. Both countries have agreed to hold the next senior commander level dialogue, but dates are yet to be set. EAM Dr. S. Jaishankar's comment in early December that India-China relations have been "significantly damaged" drew a Chinese response blaming India for the standoff at the LAC.

China downplayed India's concerns about run-of-the river projects on the Brahmaputra River, while criticising India on multiple issues, from BrahMos cruise missile tests to India's stance on "freedom of navigation" in the South China Sea and even the cancelled India-Russia annual summit, which China claimed highlighted Russian disenchantment over India moving closer to the US.

Meddling directly in Nepal's internal affairs, China sent a high-level CPC delegation to broker peace between the warring factions of the Nepalese Communist Party. China bailed out Pakistan by providing a two billion dollar loan to meet Islamabad's Saudi Arabia debt obligations, but remained concerned with regard to its CPEC investments and the security of Chinese personnel. In a renewed outreach to the Rajapaksa government in Sri Lanka, China announced investments in a \$ 300 million tyre factory at Hambantota and a \$ 13 billion port city project in Colombo.

China-US relations deteriorated further as the US imposed sanctions on various fronts, including restrictions on travel visas for CPC members, US legislation that makes it mandatory for companies to disclose information about ties with the CPC and imposition of export controls on prominent Chinese companies. Beijing termed these punitive US measures as interference in China's "internal affairs." On the eve of a new US administration taking office, Foreign Minister Wang Yi accused US politicians of making wrong strategic calculations about China but also expressed optimism about the future course of US-China relations.

China registered a major success with the EU with the conclusion of a China-EU investment treaty, which will likely impact trans-Atlantic policy coordination on China.

The month of December also witnessed significant growth in China-Russia strategic ties. Their bilateral agreement on Mutual Notification of “Launching Ballistic Missiles and Space Launch Vehicles” was extended and the air-forces of the two countries conducted their 2<sup>nd</sup> Joint Aerial Strategic Patrol that seemingly “took the direction of the Sea of Japan and the East China Sea”. There were public references to the possibility of a China-Russia alliance.

December also saw continuing debates on China’s coercive diplomatic style. During a conference at Renmin University, China’s Vice Foreign Minister Le Yucheng criticised the often-used term “wolf warrior” as a “discourse trap” to pre-empt China from fighting back.

Raising concerns about climate change issues, President Xi Jinping addressed the 2020 Climate Ambition Summit urging the global community to make new advances in climate governance.

Research data compiled by Boston University indicated that the BRI is mired in debt re-negotiations and is not quite the successful model touted by China.

On the economic front, China’s exports in November surged at their fastest pace in almost three years to register the highest monthly exports in the country’s history. Chinese analysts highlighted the return of Covid-19 lockdowns in Western countries and the appreciation of the Yuan as the two major causes of China’s export surge in the past six months. China’s state-controlled media used the latest trade data to highlight the “falsehood of decoupling from China”.

China’s exports to India, meanwhile, fell by 13 percent in the first eleven months of this year. Chinese scholars attributed this decline to India’s internal economic slowdown and the “prejudicial attitude” of the Indian government which has led to restrictions on made-in-China products.

China-Australia economic relations deteriorated further, with Beijing imposing tariffs on Australian wine and barley. Chinese state media described Australia as the “most savage” accomplice of US suppression of China.

On the security front, China’s domestically manufactured Z-20 Helicopters made their first public appearance in the PLA’s Tibet Military Command. China’s second aircraft carrier ‘Shandong’ entered the South China Sea for exercises and Chinese analysts stressed that Beijing’s two aircraft carriers, the ‘Liaoning’ and ‘Shandong’, are now ready for operations. As a result, China’s ability to field two “carrier strike groups” is no longer just a concept but an emerging reality.

Beijing hosted the 'Xiangshan Forum', where experts argued that the arms control structures put in place during the US-Russia cold war have become outdated and are "crumbling" following Trump's withdrawal from major arms control agreements. Experts also underlined the possibility of balance returning to Sino-US relations under a framework of "cooperative rivalry", even as "fundamental differences between the two sides are likely to remain, accentuating global uncertainties."

On the energy front, China's dependency on crude oil imports is estimated to exceed 70 percent, as prospects for domestic oil production remain limited.

In the area of technology, the Chinese city of Sunzhou handed out *virtual red packets* of money to its citizens as part of a drive to launch the first sovereign digital currency. Virtual currency has the potential to erode the long-time dominance of the U.S. dollar in global payments.

China launched an anti-trust probe into technology giants like Alibaba, warning them to strictly follow Beijing's policy line and pay attention to the problems of "low price dumping" and "squeezing jobs".

In terms of space exploration, the Chang'e 5 moon mission launched to collect lunar rocks and soil was applauded by the state media. China's new medium-lift carrier rocket Long March-8 also made its maiden flight on December 22, sending five satellites into orbit.

## Foreign and Security Policy

### *I. China-India Relations*

India and China held the 20th [Meeting of Working Mechanism for Consultation & Coordination](#)<sup>1</sup> on India-China border affairs on December 18<sup>2</sup> and [agreed to work towards](#) complete disengagement of troops at the earliest. Meanwhile, EAM Dr. S. Jaishankar in an address to the Lowy Institute, Australia, [pointedly remarked that](#)<sup>3</sup> the bilateral relationship between the two countries has been "significantly damaged". Reacting to these remarks, Chinese Ambassador to India Sun Weidong called<sup>4</sup> for efforts to put China-India relations [back on track](#). The Chinese Foreign Ministry spokesperson, on the other hand, was critical, [holding India responsible](#) for "what has happened on the China-India border"<sup>5</sup>, and blaming India's "forward policy" along with rigidity and unwillingness to compromise, as the main issues preventing resolution of the border dispute. Furthermore, in targeted influence operations, Chinese media [downplayed India's capability](#) to protect its troops during the severe winter in the Ladakh region<sup>6</sup>.

Chinese media [criticized India's successful test](#) of naval version of the BrahMos Cruise Missile as showcasing of military muscle".<sup>7</sup> It further blamed India's recent pre-emptive defensive measures to deal with national security threats, as a "surrounding wei to save zhao" strategy<sup>8</sup> which "will only increase regional tensions". Further, it referred to India's "pre-emptive action" on its western front against Pakistan as "a formal implementation of the so-called "Cold Start"

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<sup>1</sup>"China and India Hold 20th Meeting of Working Mechanism for Consultation & Coordination on India-China Border Affairs", [MFA China](#), December 18, 2020

<sup>2</sup>"LAC standoff: India, China resume diplomatic talks; agree to work towards complete disengagement at earliest", [The Times of India](#), December 18, 2020

<sup>3</sup>"Most difficult phase' – Jaishankar says India-China ties 'significantly damaged' this year", [The Print](#), December 9, 2020

<sup>4</sup>"Chinese envoy calls for efforts for healthy development of China-India relations", [Xinhua](#), December 9, 2020

<sup>5</sup>"Foreign Ministry Spokesperson Hua Chunying's Regular Press Conference on December 10, 2020", [MFA, China](#), December 10, 2020.

<sup>6</sup>"Tough-on-China hype won't secure winter protection for Indian border troops", [Global Times](#), December 4, 2020.

<sup>7</sup>"Criss-Cross: Adopting The Stratagem Of "Encircling 'B' To Rescue 'A'" Towards China? India Better Not Be Muddle Headed", [NIAS: India in the Chinese Media](#), December 3, 2020.

<sup>8</sup>Surrounding Wei and Save Zhao Strategy- Avoid attacking the enemy's strength directly. Instead, attack its weakness in order to seize the initiative of battle, thereby achieving the best outcome with the least cost.

doctrine". It also criticised<sup>9</sup> the UK's proposed plans to deploy aircraft carriers in the Western Pacific, as well as the Indian Navy's aspiration to build a third aircraft carrier, as [militarily insignificant and a political stunt](#).



*Indian Navy successfully test fired BrahMos supersonic cruise missile in Anti-ship mode, December 1, 2020. Source: Twitter/@indiannavy*

Even as China's plans to build a major [hydel project at the "Great Bend"](#) of Yarlung Zangpo (Brahmaputra) evoked serious concerns in India as an upper riparian state's attempt at weaponising water<sup>10</sup>, Chinese state media [called these concerns](#) "hyped-up rhetoric"<sup>11</sup> and misinterpretation of China's intentions.

There were several other adverse commentaries regarding India in the Chinese state media<sup>12</sup>. One commentary criticised India's [attitude towards multilateral mechanisms](#) calling it "westernised" and "exclusionary." It highlighted four

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<sup>9</sup> "Plans of UK, India to deploy aircraft carriers against China of 'no military significance'", [Global Times](#), December 6, 2020.

<sup>10</sup> "China plans dam on Brahmaputra: How it may impact India, Bangladesh", [The Times of India](#), December 2, 2020.

<sup>11</sup> "India must give up zero-sum mentality, accept China's hydropower project", [The Global Times](#), December 1, 2020.

<sup>12</sup> "Marked Change In India'S Attitude Towards Multilateral Mechanisms And Institutions", [NIAS: India in the Chinese Media](#), December 15, 2020.



reasons for the Modi government's changed stance: wanting to be a leading force in the world, a "leader" of developing countries, a security provider in the Indian Ocean Region and an ex-officio member of the "Alliance of Values". It also accused India of echoing US positions in the SCO, BRICS, East Asia Summit and other multilateral platforms.

In an adverse commentary on PM Modi's remarks on the South China Sea that "other countries in the region should not be discriminated" against, Global Times<sup>13</sup> criticised India for, [poking its nose](#) in the South China Sea, while describing India's concerns as "groundless". Another report<sup>14</sup> maintained that India's claim on "freedom of navigation" in the South China Sea is a false proposition, particularly as merchant ships enjoy complete freedom of movement, instead [blaming India for counterbalancing China on the seas](#), while projecting itself as the "guardian of international order and regional security."

Cancellation of the India-Russia annual summit due to COVID-19 also came in for adverse comments in the Chinese media, which projected this as the sign of emerging cracks in India-Russia relations on account of India's growing proximity to the US. Another report highlighted<sup>15</sup> that India is taking advantage of the Sino-Indian border tensions to go down the road of "dragging America against China." Maintaining that as a consequence of its proximity with the US, India has been hardening its posture by strengthening its military preparedness on the one hand and banning Chinese products and apps on the other, the report averred that such tough measures will not give India leverage in border negotiations and [asserted that "India sometimes overestimates its own ability](#), especially its strategic capabilities."

## *II. China-South Asia Relations*

In a direct attempt to interfere in Nepalese internal affairs, China sent a high level CPC Delegation to Kathmandu on December 27 to broker peace among warring factions of the Nepalese Communist party<sup>16</sup> following PM Oli's premature dissolution of Parliament. Chinese media outrightly maintained

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<sup>13</sup>"New Delhi's moves with Hanoi on S. China Sea won't make waves", [Global Times](#), December 22, 2020.

<sup>14</sup>" Why does India mention the South China Sea frequently of late", [NIAS: India in Chinese Media](#), December 25, 2020

<sup>15</sup>"in focus: How can India use America as a strategic pawn", [NIAS Project: India in Chinese Media](#), December 24, 2020

<sup>16</sup>"China sending high-level team to Nepal to prevent ruling party split", [The Times of India](#), December 27, 2020

that [it has right to interfere](#) given their close relations<sup>17</sup> and more importantly to protect Chinese investments under the BRI.



*Chinese Defence Minister General Wei Fenghe meets Pakistan's President Dr Arif Alvi, December 1, 2020. Source: Twitter/@PresOfPakistan*

Chinese State Councillor and Defence Minister [General Wei visited Pakistan](#) on December 1, within days of his Nepal visit<sup>18</sup>. During the visit, both sides expressed their willingness to strengthen<sup>19</sup> strategic trust, cooperation and communications and to step up [bilateral military-to-military relationship](#). Wei also attended a joint China-Pakistan air exercise "[Eagle -IX](#)", held in close proximity to the India-Pakistan border.<sup>20</sup>

On the economic front, China agreed to bail out Pakistan<sup>21</sup> by loaning USD 2 billion to meet the latter's debt obligations to Saudi Arabia. However, China also sought additional financial guarantees for the proposed USD 6 billion ML1

<sup>17</sup> "High-level CPC delegation's Nepal visit eyes issues of common interest, upholds noninterference principle: Chinese FM", [Global Times](#), December 28, 2020

<sup>18</sup> "Chinese defense chief's Nepal, Pakistan tours 'of practical meaning for security in western China", [Global Times](#), December 1, 2020.

<sup>19</sup> "Pakistani President, PM meet Chinese Defense Minister in Islamabad", [Ministry of National Defense](#), December 1, 2020.

<sup>20</sup> "China and Pakistan hold "Eagle-IX" Air Force Joint Training", [Guangming Online](#), December 8, 2020.

<sup>21</sup> "China bails out Pakistan, sanctions \$1.5 billion loan for Saudi Arabia debt: Report", [Money Control](#), December 13, 2020.

Railway Line project<sup>22</sup>, in the wake of concerns about rising corruption and militant attacks on Chinese engineers. According to an Asia Times report<sup>23</sup>, the [Pakistan army is set to take control of CPEC](#) to placate China.

Sri Lanka awarded<sup>24</sup> a USD300 million contract to a Chinese company for a tyre factory at a location adjacent to the Hambantota port, [its first such contract in the manufacturing sector](#). In addition, a Chinese state run firm, China Harbour Engineering Company Limited (CHEC), bagged a major contract in the USD 13 billion Colombo Port City project, [indicating mounting Chinese investments](#) in the Island country.<sup>25</sup>

### *III. China-U.S. Relations*

Some signs of a discernible shift from a strident anti-US discourse during the Trump Administration became visible, indicating that China is possibly reaching out to the incoming Biden Administration. FM Wang Yi, during his remarks<sup>26</sup> at a video exchange between the US-China Business Council Board, congratulated President-elect Biden and expressed hope for a “smooth transition” of Sino-US relations. Even as he criticised the Trump administration’s China policy, terming it “adherence to cold war mentality and full of ideological prejudices”, Wang appealed to the incoming Biden administration to correct America’s strategic understanding of China.

Maintaining a similar tone at a special event hosted by the Asia Society on the [future of US-China Relations](#)<sup>27</sup>, Foreign Minister Wang Yi accused “some US politicians” of making strategic miscalculations about China and underscored the need for both countries to work together to overcome difficulties and pursue development. Similar remarks were also made by other functionaries such as Chinese Ambassador to the US, Cui Tiankai, who stressed the necessity of China-US cooperation in the post pandemic world.<sup>28</sup>

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<sup>22</sup> China seeks additional guarantees before sanctioning \$6 billion loan for rail project in Pakistan”, [Economic Times](#), Dec 24, 2020

<sup>23</sup> China slowly retreating from Pakistan’s Belt and Road”, [Asia Times](#), December 26, 2020

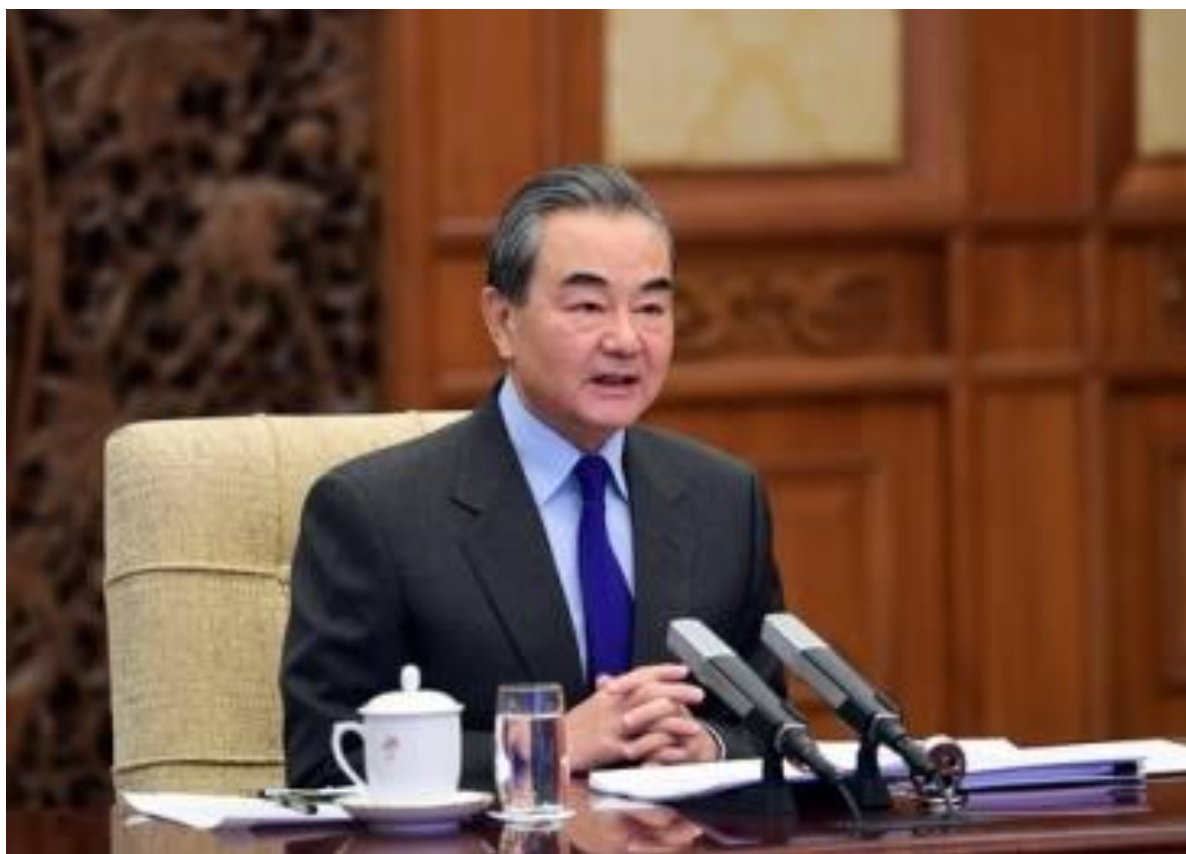
<sup>24</sup> Sri Lanka gets US\$300 million Chinese factory near key port”, [CNA](#), December 8, 2020.

<sup>25</sup> Chinese firm behind Hambantota port project gets first contract in Sri Lanka’s Port City”, [Hindustan Times](#), December 18, 2020

<sup>26</sup> China-U.S. cooperation not to be absent in post-pandemic world: Chinese ambassador”, [People’s Daily](#), December 10, 2020.

<sup>27</sup> Reorient and Steer Clear of Disruptions - For a Smooth Sailing of China-U.S. Relations”, [MFA, China](#), December 18, 2020.

<sup>28</sup> China-U.S. cooperation not to be absent in post-pandemic world: Chinese ambassador”, [People’s Daily](#), December 10, 2020.



*China's State Councillor and Foreign Minister Wang Yi held a videoconference with a delegation of the board of the US-China Business Council (USCBC) in Beijing, December 7, 2020. Source: Ministry of Foreign Affairs, People's Republic of China*

Despite these positive signals, mutual acrimony only escalated, with US imposing [restriction on travel visas](#)<sup>29</sup> for members of the CPC or anyone affiliated with the United Front Works Department; new US legislation<sup>30</sup> the [Holding Foreign Companies Accountable Act](#) which requires companies to disclose information about ties to foreign governments and the Chinese Communist Party; imposition of export controls<sup>31</sup> on [77 Chinese companies](#), including giant chipmaker SMIC and drone maker DJI; requiring US companies to apply for licenses to conduct business with any of these companies; Secretary of State [Mike Pompeo's criticism of US universities](#) submitting to Chinese pressure to curb criticism of the Chinese Communist Party<sup>32</sup>; and finally allocation of USD 1.9 billion to fund a programme<sup>33</sup> [to](#)

<sup>29</sup>"US sanctions 14 Chinese officials for undermining Hong Kong autonomy", [ANI](#), December 7, 2020.

<sup>30</sup>"Chinese Companies to Face More Scrutiny as Bill Clears House", [The New York Times](#), December 2, 2020.

<sup>31</sup>"US blacklists Chinese companies including chip giant SMIC", [CNA](#), December 19, 2020

<sup>32</sup>"Pompeo unloads on US universities for China ties", [AP News](#), December 10, 2020.

<sup>33</sup>"US Lawmakers to Allocate Nearly \$2B to Replace Chinese Telecom Equipment, Source Says", [VOA](#), December 20, 2020

[remove telecom network equipment](#) that the US government believes poses national security risks.

China condemned<sup>34</sup> US visa restrictions on Chinese officials over the Hong Kong issue, [calling it a vicious attempt](#)<sup>35</sup> to interfere in China's internal affairs. [China reciprocated](#) by imposing travel restrictions<sup>36</sup> on US administration officials, congressional staff and employees of non-governmental organisations, including their immediate family members. The Trump administration [retaliated by imposing additional restrictions](#)<sup>37</sup> on December 21, "applicable to all CPC officials engaged in repressive activities, no matter their location."

Meanwhile, the China Securities Regulatory Commission (CSRC) criticised<sup>38</sup> the Holding Foreign Companies Accountable Act, [calling it discriminatory](#) and not based on professional considerations. After it was reported that MSCI, a major US investment index compiler, would remove<sup>39</sup> the Chinese securities blacklisted by the Trump administration [because of suspected ties](#) with the Chinese military, the Chinese Foreign Ministry spokesperson stated that the Holding Foreign Companies Accountable Act was [discriminatory](#)<sup>40</sup> and would damage the reputation of US capital markets in the future.

A commentary<sup>41</sup> in the Chinese state media called the US drive to impose export controls an [attempt to bully China's hi-tech businesses](#), concluding that such acts will not stifle China's pursuit of technological and scientific progress. Meanwhile the Chinese state media [sharply criticized](#)<sup>42</sup> Mike Pompeo's

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<sup>34</sup>"US sanctions 14 Chinese officials for undermining Hong Kong autonomy", [ANI](#), December 7, 2020.

<sup>35</sup>"Foreign Ministry Spokesperson Hua Chunying's Statement Regarding U.S. Sanctions on Leading Members of the NPC Standing Committee under the Pretext of Hong Kong-related Issues", [Consulate-General of the People's Republic of China in Mumbai](#), December 8, 2020.

<sup>36</sup> "China restricts U.S. official travel to Hong Kong", [CTV News](#), December 10, 2020

<sup>37</sup>"Press Statement: Additional Restrictions on the Issuance of Visas for People's Republic of China Officials Engaged in Human Rights Abuses", [US Department of State](#), December 21, 2020.

<sup>38</sup> "China says U.S. audit law targeting Chinese firms discriminatory". [Reuters](#), December 4, 2020.

<sup>39</sup>"MSCI to remove 10 Chinese securities from its indices after US blacklist", [South China Morning Post](#), Dec 16, 2020

<sup>40</sup> Foreign Ministry Spokesperson Wang Wenbin's Regular Press Conference", [MFA, China](#), December 21, 2020.

<sup>41</sup> Commentary: Washington's ban binge won't stymie China's technological long march", [China.org.cn](#), December 19, 2020

<sup>42</sup>"Pompeo's "doomsday madness" cannot kidnap the future of Sino-US relations", [Huanqiu](#), December 12, 2020.

statements as a ploy to advance his ambitions for 2024 at the cost of US national interests, while labelling him “the worst secretary of state in US history.” Further, the Foreign Ministry spokesperson repudiated western media reports of CPC members penetrating universities and institutions as a “[smear campaign](#)”<sup>43</sup> by anti-China elements and as another version of the “China threat theory”.

China also voiced opposition<sup>44</sup> to US legislation<sup>45</sup> that funds a program [to remove telecom network](#) equipment that poses national security risks. China’s concerns are triggered by the US Federal Communications Commission’s designation<sup>46</sup> of [Huawei Technologies Co and ZTE Corp](#) as threats earlier this year, barring U.S. firms from tapping into a USD 8.3 billion government fund to purchase equipment from these companies.

China reacted sharply to a USD 280 million sale of advanced [military equipment to Taiwan](#), accusing the US of [interfering in its “internal affairs”](#)<sup>47</sup>. The Mekong Dam Monitor Project (announced on December 14), partly funded by the US, emerged as another issue of contention. The project aims to use remote sensing and satellite imagery to track and publish water levels at Chinese dams on the Mekong river, particularly as the lower Mekong nations have faced drought after China held back post-monsoon water access, exacerbating drought conditions. An editorial in The Global Times<sup>48</sup> described the US project as [flagrant and arrogant interference](#) in the water resources issues of the region.

A massive cyber-attack (allegedly as part of a cyber-espionage campaign) against the US government became yet another point of US-China friction. Whereas Secretary of State Mike Pompeo accused Russia of the attack, President Trump countered him by blaming China. Chinese state media called these comments<sup>49</sup> “frivolous and self-contradictory and driven by the political agenda to smear and shift the blame on China.” Meanwhile, Global Times

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<sup>43</sup>“CCP members infiltrate Western institutions? Ministry of Foreign Affairs: Another version of the China threat theory”, [huanqiu](#), December 15, 2020

<sup>44</sup>“Foreign Ministry Spokesperson Wang Wenbin's Regular Press Conference”, [MFA China](#), December 22, 2020

<sup>45</sup>“US Lawmakers to Allocate Nearly \$2B to Replace Chinese Telecom Equipment, Source Says”, [VOA](#), December 20, 2020

<sup>46</sup>“U.S. lawmakers back \$1.9 billion to replace telecom equipment from China's Huawei, ZTE - sources”, [Zee Business](#), December 21, 2020

<sup>47</sup>“U.S. approves Taiwan arms sale”, [The Hindu](#), December 8, 2020

<sup>48</sup>“GT Voice: US geopolitical gimmick to interfere in Mekong is doomed”, [Global Times](#), December 14, 2020.

<sup>49</sup>[US President Donald Trump Twitter](#), December 19, 2020.

published a survey report<sup>50</sup> on the Chinese people's view on China-US relations. The [survey outlined](#) "an unshakable consensus among the Chinese people in opposing US hegemony, while separating American people and culture from the actions of its government." As per the survey, 53.2 percent of Chinese people find US military forces frequently provoking China in the South China Sea and over the Taiwan question. The report also highlighted 60 percent of people having pessimistic views on the '[new cold war](#)' between China and the US. Another report<sup>51</sup> published in the Global Times suggested that China should try to explore the potential of regional economic cooperation to deal with Indo-Pacific Strategy targeting China.

#### *IV. China-European Union Relations*

The month saw the Chinese media projecting synergy in EU- China relations against the backdrop of the impending finalisation of an investment agreement. The media went to great lengths<sup>52</sup> to highlight the [tangible benefits](#) that BRI projects can bring to European countries and people. Warding off criticism on BRI's poor quality, environmental standards and debt sustainability, articles focused instead on BRI's benefits such as "climate protection" priorities and "quality compliance" with international practices.

The EU and China concluded "in principle"<sup>53</sup> their negotiations for a [Comprehensive Agreement on Investment](#) during the month, with procedures for adoption and ratification of the agreement to follow. A large faction of the EU parliament that had previously opposed the agreement on grounds of China's poor human rights track record reportedly acquiesced after China consented to various provisions regarding access and ratification of ILO conventions on forced labour.

#### *V. China-Russia Relations*

Chinese Premier Li Keqiang co-chaired the [25<sup>th</sup> Regular Meeting](#) with his Russian counterpart Mikhail Mishustin on December 2<sup>54</sup>. Both sides highlighted the need to take effective measures to enhance trade and

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<sup>50</sup>"Chinese rational on China-US ties: GT poll", [Global Times](#), December 26, 2020

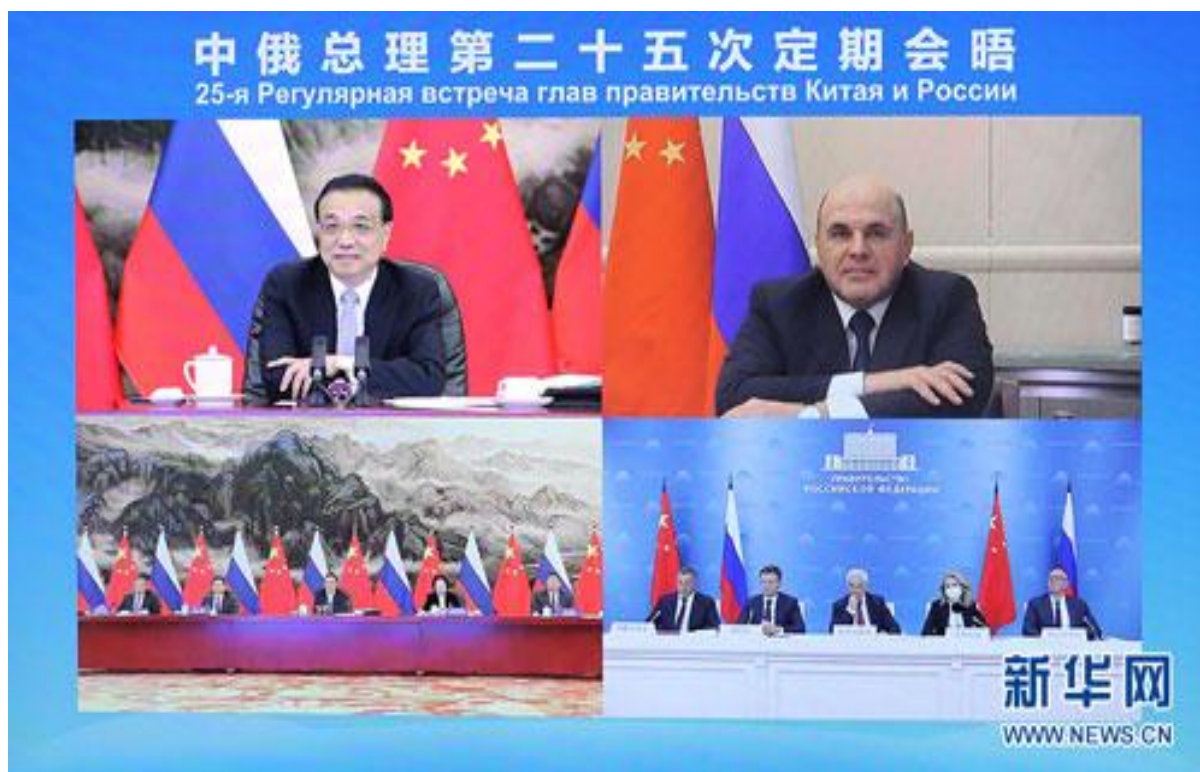
<sup>51</sup>"US Indo-Pacific Strategy cannot thwart China's development: scholars", [Global Times](#), December 26, 2020

<sup>52</sup>"China's BRI projects bring tangible benefits to European countries", [People's Daily](#), December 4, 2020.

<sup>53</sup>"Press Release: EU and China reach agreement in principle on investment", [European Commission](#), December 30, 2020

<sup>54</sup>"Premier Li Keqiang and His Russian Counterpart Mikhail Mishustin Co-chair the 25th Regular Meeting with Han Zheng's Presence", [MFA](#), China, December 3, 2020.

investment, as well as to tap the potential in the digital economy and other new growth areas. Premier Li pointed out that China is willing to align the Belt and Road Initiative with Russia's development strategies.



*Chinese Premier Li Keqiang co-chaired the 25th regular meeting with Russian Prime Minister Mikhail Mishustin via video link at the Great Hall of the People in Beijing, December 2, 2020. Source: Ministry of Foreign Affairs, People's Republic of China*

In an important development, China and Russia extended<sup>55</sup> their agreement on mutual notification of "[Launching Ballistic Missiles and Space Launch Vehicles](#)" signed on October 23, 2009.

The air forces of China and Russia<sup>56</sup> conducted the [2nd joint aerial strategic patrol](#) in the Asia-Pacific region on December 22. According to a Chinese state media report<sup>57</sup>, the patrol was conducted over the [Sea of Japan and the East China Sea](#), highlighting both nations' common concerns over strategic stability "in this direction."

<sup>55</sup>" The agreement between China and Russia on the mutual notification of the launch of ballistic missiles and space launch vehicles has been successfully extended", [Huanqiu](#), December 15, 2020.

<sup>56</sup>"China, Russia hold 2nd joint aerial strategic patrol in Asia-Pacific", [Ministry of National Defense, China](#), December 23, 2020

<sup>57</sup>"The Chinese and Russian bombers are cruising in this direction. There is something meaningful behind it!", [Huanqiu](#), December 22, 2020



## VI. China's Global Image

December was yet another month filled with debates on China's coercive diplomatic style. During a conference at Renmin University, China's Vice Foreign Minister Le Yucheng<sup>58</sup> criticised the often used term "[wolf warrior](#)" as a "discourse trap" to pre-empt China from fighting back. Chinese academics<sup>59</sup> [justified China's "assertive"](#) and "confident" diplomatic style as a response to provocation and stigmatisation by the West.

In a constant drive to undermine the "China threat theory", China has been trying to project itself as a responsible power. This sentiment resonated in Foreign Affairs Minister Wang Yi's speech titled "Chinese Diplomacy in a Hundred Years of Change and Epidemic in the Century: Responsibility for the Country and the World" on December 11. He spoke at length about [China's commitment to](#)<sup>60</sup> building consensus for the global fight against the epidemic; expanding mutually beneficial cooperation and support for a stable international order; deepening relations with neighbours with whom China shared a future; actively participating in the reform of the global governance system; and importantly, firmly defending national interests and national dignity which includes opposing politicisation and labelling of the epidemic and preventing any "political virus" from "rampaging the world".

Addressing the [2020 Climate Ambition Summit](#)<sup>61</sup>, Chinese President Xi Jinping enjoined upon the global community the need to make new advances in climate governance, foster a pro-active architecture and promote an approach that ensures green recovery.

A report published in the Financial Times<sup>62</sup> claimed that the BRI, proclaimed as the project of the century, is [mired in debt re-negotiations](#) with a host of countries. According to researchers in Boston University, lending by the China Development Bank (CDB) and the Export-Import Bank of China (EXIM Bank of China) collapsed from a peak of US\$75 billion in 2016 to just US\$4 billion last year. Both CDB and EXIM banks are controlled by the Chinese state. The sharp

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<sup>58</sup>"We're not Wolf Warriors, we're only standing up for China, says senior official", [South China Morning Post](#), December 5, 2020.

<sup>59</sup>"China's 'wolf warrior sentiment' shows confidence, correction to 'irrational worship of the West'", December 8, 2020, [Global Times](#), December 8, 2020.

<sup>60</sup>"China's Diplomacy under the Circumstances of a Hundred Years and the Epidemic of the Century", [Huangqiu](#), December 12, 2020.

<sup>61</sup>"President Xi Jinping delivers an important speech at the 2020 Climate Ambition Summit on Saturday", [Global Times](#), December 12, 2020.

<sup>62</sup>"China pulls back from the world: rethinking Xi's project of the century", [Financial Times](#), December 11, 2020.

scaling back of lending is likely to further exacerbate the infrastructure gap that BRI is intended to fill. China has sought to play down such fears, [maintaining](#) that these matters are being compounded by repayment difficulties faced by the BRI countries, the pandemic and the world economic recession<sup>63</sup>.

## Economy and Trade

China's [exports surged](#) at the fastest pace in almost three years in November 2020, leading to the biggest monthly exports in the country's history.<sup>64</sup> China's [trade surplus for November](#) stood at USD75.42 billion, against USD58.44 billion in the previous month.<sup>65</sup> Chinese analysts highlighted the return of [Covid-19 lockdowns](#) in Western countries as the major cause of China's export surge in the past six months.<sup>66</sup> A weak global economy and China's ability to execute export orders that other nations are finding difficult were cited among the reasons for this surge.<sup>67</sup> China's state controlled media used the trade data to highlight the ["falsehood of decoupling from China"](#).<sup>68</sup> In another significant development, [China's foreign exchange reserves](#) reached USD3.143 trillion in November, the highest level since August 2016.<sup>69</sup> Meanwhile, besides supply side structural reforms, China is also focusing on [demand side reforms](#) in line with its 'dual circulation policy' that seeks to boost domestic demand.<sup>70</sup>

[China's exports to India](#) fell 13 percent in the first eleven months of this year.<sup>71</sup> Chinese researcher Zhao Gancheng attributed this decline mostly to "India's internal economic slowdown and the intensifying ["prejudicial attitude"](#) of the Indian government which led to the introduction of measures to restrict import of made-in-China products". Zhao claimed that "China has kept an open mind about doing business with India despite the border dispute. Compared to China's actions, [India's economic punishment of the Chinese businesses](#) is

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<sup>63</sup> "Foreign Ministry Spokesperson Wang Wenbin's Regular Press Conference", [MFA, China](#), December 21, 2020.

<sup>64</sup> Finbarr Bermingham and Sidney Leng, "China trade: exports surge to record levels, as coronavirus lockdowns return to the West", [South China Morning Post](#), December 7, 2020.

<sup>65</sup> Ibid.

<sup>66</sup> Ibid.

<sup>67</sup> Chen Jiahe, "China's latest trading data surprises the market", [CGTN](#), December 7, 2020.

<sup>68</sup> "Trade shows falsehood of decoupling: China Daily editorial", [China Daily](#), December 16, 2020.

<sup>69</sup> "Yuan gets stronger as nation's forex reserves hit 4-year high", [China Economic Net](#), December 9, 2020.

<sup>70</sup> Frank Tang, "China eyes demand-side reforms over stimulus measures to boost domestic consumption, economy", [South China Morning Post](#), December 16, 2020.

<sup>71</sup> Xie Jun, "China's exports to India down 13% in first 11 months", [Global Times](#), December 7, 2020.

abnormal and morbid". Another Chinese expert Gu Xiaosong opined that "India risked being substituted by other Asian economies for rejecting business cooperation with China". Gu also highlighted the possibility of "India heading for an economic 'dead-end' by rigidly following US policies that could eventually [isolate India in Asia](#), especially when Japan and South Korea have both put their bets on China and US markets".<sup>72</sup>

[China-Australia economic relations](#) deteriorated further during the month.<sup>73</sup> China imposed tariffs on Australian barley and wine citing dumping and government subsidies.<sup>74</sup> Beijing also claimed to have found pests in Australian timber that allegedly threatens China's ecology, while Australian lobsters were found to have excessive levels of cadmium. A Global Times editorial described Australia as the "[most savage accomplice of the U.S.](#)" suppression of China and stressed that Beijing has no fear if Canberra brings these trade issues to the WTO.<sup>75</sup>

On the energy front, China's dependency on [crude oil imports](#) is likely to exceed 70 percent.<sup>76</sup> China's crude demand has grown during the COVID-19 pandemic, while the growth of domestic oil production remains limited. In a related development, [China's state-run Zhenhua Oil](#) is set to sign a multibillion-dollar contract with the Iraqi government for long-term oil supply.<sup>77</sup>

The Chinese city of Sunzhou began handing out virtual red packets of money to its citizens as part of the country's drive to launch its first [sovereign digital currency](#).<sup>78</sup> According to Chinese analysts, virtual currency has the potential to erode the long-time dominance of the U.S. dollar in global payments, while creating a historical [rebalancing of global power](#) between the world's two largest economies.<sup>79</sup> In a related development, scholar Liu Zhiqin stressed the "need for China to be vigilant about the U.S. [weaponising 'SWIFT'](#) international

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<sup>72</sup> Ibid.

<sup>73</sup> "China's goodwill futile with evil Australia: Global Times editorial", [Global Times](#), December 1, 2020.

<sup>74</sup> Ibid

<sup>75</sup> Ibid

<sup>76</sup> "China's dependency on foreign crude expected to remain in excess of 70 percent", [Global Times](#), December 7, 2020.

<sup>77</sup> "China prepares to sign a multi-billion dollar oil deal with Iraq", [TRT World](#), December 10, 2020.

<sup>78</sup> Cissy Zhou, "China digital currency: Suzhou to hand out 20 million yuan million of virtual red packets as part of trial", [South China Morning Post](#), December 6, 2020.

<sup>79</sup> Matteo Giovannini, "Suzhou rollout to unveil China's digital currency roadmap", [CGTN](#), November 27, 2020.

payment system that controls 80 percent of the world's cross-border payment and information exchange among financial institutions".<sup>80</sup> "China's own digital currency could also gradually serve as an [international trade settlement tool](#), Beijing can promote the digital currency through the Belt and Road Initiative to improve trade and reduce costs", he added.<sup>81</sup>

In a significant statement, President Xi announced the [elimination of absolute poverty](#) in China, stating "China has lifted nearly 100 million people out of poverty in the past eight years."<sup>82</sup> The state media highlighted an interview with American economist Jeffery Sachs who lauded "China's [poverty alleviation](#) as a lesson for developing countries".<sup>83</sup>

### PLA and Internal Security

China hosted the annual '[Xiangshan Forum](#)' in the first week of December under the theme "Enhancing International Cooperation: Responding to New International Security Challenges".<sup>84</sup> Experts argued that the arms control structure put in place during the US-Russia cold war is out-dated and was "crumbling" following Trump's withdrawal from major arms control agreements.<sup>85</sup> Another major concern raised during the forum was that of [Beijing replacing Russia](#) as America's biggest strategic competitor and a threat without any limits imposed by a treaty on its nuclear development.<sup>86</sup> American scholar Joseph Nye suggested that under the Biden administration, balance is likely to return to [Sino-U.S. relations](#) based on the framework of "cooperative rivalry"<sup>87</sup>. Chinese scholar Yan Xuetong is also of the view that "Biden will moderate relations between the U.S. and China", but expects "fundamental differences between the two sides to remain along with global uncertainties".<sup>88</sup>

While speaking about the emerging world order and great power competition, General Mark Milley, Chairman of the US Joint Chiefs of Staff stated that "[We]

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<sup>80</sup> Liu Zhiqin, "Stay vigilant about US weaponizing SWIFT", [Global Times](#), December 3, 2020.

<sup>81</sup> Ibid.

<sup>82</sup> "Zero poverty: China eliminates absolute poverty one month before self-imposed deadline", [CGTN](#), November 23, 2020

<sup>83</sup> Zhang Mingxin, "Renowned economist says China's poverty alleviation provides lessons for developing countries", [China News Service \(ECNS\)](#), December 8, 2020.

<sup>84</sup> Catherine Wong, "China-US power competition brings a Cold War arms concept back into fashion", [South China Morning Post](#), December 3, 2020.

<sup>85</sup> Ibid.

<sup>86</sup> Dai Kaiyi, "Beijing Xiangshan Forum calls for solidarity to combat global challenges", [CGTN](#), December 2, 2020.

<sup>87</sup> Ibid

<sup>88</sup> Ibid.

are in the middle of a fundamental change in the [character of war](#), if you're serious about great power competition and deterring great power war, and you're serious about having dominant capability over something like China ... 500 [ships by 2045] is probably your entrance ticket."<sup>89</sup> Lu Li-shih, a former instructor at Taiwan's Naval Academy in Kaohsiung commented that "America's new deployments and strategies showed its determination to reinforce military advantage over the PLA; the [PLA navy](#) has already ordered more ships in response to US's 500-ship plan", a reference to China's plans to build 20 type 054A guided-missile stealth frigates.<sup>90</sup>

The artificial islands built by China in the South China Sea have raised consternation among rival claimants. An article in the Chinese magazine 'Naval and Merchant Ships' claimed that Beijing's military bases in the disputed [Spratly islands](#) could give the PLA an information edge, but these facilities have significant weaknesses and are vulnerable to attack.<sup>91</sup> The size and location of these bases makes it harder to defend and the airstrips too small to be effective.<sup>92</sup> The report further highlights "[US' grey zone tactics](#) and urges Beijing to take countermeasures to show the U.S. that China is neither a "passive receiver nor a regional guest" in Washington's Indo-Pacific strategy, but a key player and master in the region".<sup>93</sup> Superiority in [battlefield information](#) provided by the artificial islands and uninterrupted communications networks connecting the Beijing military command with the frontline outposts could be the most efficient way to beat the U.S. in a conflict in the disputed South China Sea, it emphasised.<sup>94</sup>

China's domestically manufactured '[Z-20 helicopters](#)' made their first public appearance in PLA's Tibet Military Command.<sup>95</sup> Earlier, China used to rely on U.S. made Black Hawk Helicopters for [plateau operations in Tibet](#) as China's

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<sup>89</sup> Minnie Chan, "China's military: pressure from US can help drive PLA's modernisation, observers say", [South China Morning Post](#), December 12, 2020.

<sup>90</sup> Minnie Chan, "China's military: pressure from US can help drive PLA's modernisation, observers say", [South China Morning Post](#), December 12, 2020.

<sup>91</sup> Kristin Huang, "Beijing's South China Sea military bases 'are vulnerable to attack and will be of little use in a war'", [South China Morning Post](#), December 6, 2020.

<sup>92</sup> Ibid.

<sup>93</sup> Minnie Chan, "South China Sea: how a Spratlys radar system could give the PLA an information edge", [South China Morning](#), December 5, 2020.

<sup>94</sup> Minnie Chan, "South China Sea: how a Spratlys radar system could give the PLA an information edge", [South China Morning](#), December 5, 2020.

<sup>95</sup> Liu Xuanzun, "Plateau-operable Z-20 helicopters enter service in PLA Tibet Military Command", [Global Times](#), December 14, 2020.

own helicopters could not undertake this task.<sup>96</sup> With U.S. helicopters becoming unavailable, the Z-20 will be utilised for urgently needed frontline missions such as aerial transport, assault, and emergency response.



*Z-20 Helicopter. Source: Global Times*

According to state media reports, China's second aircraft carrier 'Shandong' entered the South China Sea for exercises, with analysts stressing that Beijing's two aircraft carriers '[Liaoning and Shandong](#)' are now combat worthy.<sup>97</sup> Consequently, China's dual aircraft carrier strike group is no longer just a concept but an emerging reality.

## Technology

China's President Xi Jinping has reportedly laid stress on strengthening the protection of [Intellectual Property Rights \(IPR\)](#) during a group study session of the Political Bureau of the Chinese Communist Party's (CPC) Central Committee.<sup>98</sup> While commenting on IPRs, analyst Zhang Xiaorong stated that "the latest meeting of the CPC on China's IPR protection system shows that the country is moving from a follower of international rules to a rules

<sup>96</sup> Liu Xuanzun, "Plateau-operable Z-20 helicopters enter service in PLA Tibet Military Command", [Global Times](#), December 14, 2020.

<sup>97</sup> "China marches into new era with two aircraft carriers", [Global Times](#), December 21, 2020.

<sup>98</sup> Chi Jingyi, "China strengthens IPR protection", [Global Times](#), December 1, 2020.

formulator”.<sup>99</sup>China’s [export control law](#) has come into force, which allows it to take action against countries that endanger national security, especially in terms of the export of sensitive technologies. This is being viewed as a response to U.S. curbs on Chinese technology firms.<sup>100</sup> Chinese researcher Hu Qimu has expressed the view that “China’s [international competitiveness in advanced technologies](#) such as 5G, algorithms of short-video platforms (TikTok) posed a threat to America’s leading position; the Trump administration in the name of national security imposed technology blockades and sanctions on China. Therefore, China has to take counter-measures and the export control law is a means of hitting back”.<sup>101</sup>

In a major development on the technology front, China launched an [anti-trust probe](#) into tech giants such as Alibaba, warning them to strictly follow Beijing’s line and pay attention to problems of “low price dumping” and “squeezing jobs”.<sup>102</sup> This regulatory warning was issued following the CPC’s recently concluded politburo meeting that reviewed the role of [big tech in China’s economy](#) and society. The politburo had reportedly concluded that China must break up monopolies and prevent the “disorderly expansion of capital”.<sup>103</sup>



*China's new medium-lift carrier rocket Long March-8 blasts off at the Wenchang Spacecraft Launch Site in south China's Hainan Province Dec. 22, 2020. Source: Xinhua Net*

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<sup>99</sup> Ibid.

<sup>100</sup> Ibid

<sup>101</sup> Ibid.

<sup>102</sup> Minghe Hu, “Beijing lectures Alibaba, Tencent, Meituan and Pinduoduo in new antitrust warning to Big Tech”, [South China Morning Post](#), December 23, 2020.

<sup>103</sup> Ibid.

Marking another Chinese step in space exploration, the [Chang'e 5 moon mission](#) was launched with the task of collecting lunar rocks and soil.<sup>104</sup> A China Daily editorial lauded the mission and highlighted that Chang'e 5 is not a repeat of the earlier U.S. and Soviet efforts, as it involves innovations not seen in those lunar missions.<sup>105</sup> China's new medium-lift carrier rocket [Long March-8](#) also made its maiden flight on December 22, sending five satellites into orbit.<sup>106</sup> According to the China National Space Administration (CNSA), "this rocket fills the gap in China's launch capability to the sun-synchronous orbit from 3 tonnes to 4.5 tonnes, and is of significance for [accelerating the upgrading of launch vehicles](#)".<sup>107</sup>

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<sup>104</sup> "Chang'e 5 mission worthwhile endeavor: China Daily editorial", [China Daily](#), December 3, 2020.

<sup>105</sup> Ibid

<sup>106</sup> "China's new carrier rocket Long March-8 makes maiden flight", [People's Daily](#), December 22, 2020.

<sup>107</sup> Ibid





**Delhi Policy Group**  
Core 5A, 1st Floor,  
India Habitat Centre, Lodhi Road  
New Delhi - 110003  
India

[www.delhipolicygroup.org](http://www.delhipolicygroup.org)