



# Delhi Policy Group

Advancing India's Rise as a Leading Power



## DPG China Monitor

MARCH 2021



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Delhi Policy Group

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

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### ABOUT US

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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, Dr. Angana Guha Roy and Sanket Joshi, Research Associates, from open-source reports and publications.

### Cover Photograph:

*Chinese Premier Li Keqiang delivers the Government Work Report at the opening meeting of the fourth session of the 13th National People's Congress at the Great Hall of the People in Beijing on March 5, 2021. Source: The State Council, People's Republic of China.*

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## Abstract

The stalemate in India-China relations continued to persist through April. There was talk of convening the 11th round of Military Commanders' meeting to take forward the stalled disengagement process, but no date has been fixed so far. On the diplomatic front, while the Chinese Foreign Minister stressed the need for returning to negotiations for smooth development of bilateral relations, there were concerns regarding India's role in the QUAD's expanded agenda, given its perceived anti-China sentiment.

Amidst China's efforts at promoting Belt and Road Initiative (BRI) projects and investment deals in India's neighbourhood, protests erupted in Bangladesh, demanding that the government sever diplomatic relations with China over persecution of Uyghur Muslims.

China, the US and Pakistan participated in talks on the Afghanistan imbroglio hosted by Russia. There was no substantive outcome. Afghanistan foreign minister Mohammed Haneef Atmar, during his subsequent visit to New Delhi, admitted that it was a mistake to not have invited India to the Moscow talks.

China-US acrimony continued during the month, with exchanges becoming more acerbic. Reacting to increased US outreach to Taiwan, the Chinese Foreign Minister stressed that the 'one China' principle was the foundation of bilateral relations and hoped that the US government would show desired sensitivity on the Taiwan question. Following the visit of the US Secretary of State and Defence Secretary to Asia, the Chinese media criticised "QUAD" diplomacy and lashed out at Japan for targeting China in a joint statement with the US.

In a similar vein, the meeting between senior Chinese diplomats and their American counterparts at Anchorage in Alaska on March 18-19, aimed at resetting the fraught ties, ended in a heated public row and failed to provide any breakthrough in bilateral relations. Nonetheless, what stands out is the fact that while we are likely to witness intense confrontation on values and rules, dialogue and cooperation on global concerns such as climate change, and other geo-political issues such as regional stability, e.g. Afghanistan, remains possible.

A war of sanctions erupted between the EU and China after the former, acting in tandem with the US and Canada, imposed an asset freeze and travel ban on four Chinese officials over human rights abuses in Xinjiang. US Secretary of State Antony Blinken, during his visit to the North Atlantic Treaty Organization

(NATO) headquarters in Brussels, stressed that while China remains an economic and security threat for the US, the latter would not force its allies into an “us or them choice”. Additionally, the US and the EU decided to relaunch the bilateral dialogue on China, acknowledging their shared understanding of a multifaceted relationship with China.

Against the backdrop of growing acrimony in relations with the US, there is an apparent Chinese outreach to Russia for strategic support, development opportunities and global partnerships. Russian Foreign Minister Sergei Lavrov, who visited China soon after the Anchorage meeting on March 22, in a joint statement with Chinese Foreign Minister Wang Yi, denounced the policy of sanctions and restrictions, blaming the US for seeking to rely on Cold War military alliances to undermine the “international legal architecture.”

Chinese Premier Li Keqiang delivered the annual report on government work, highlighting the draft outline of China’s 14th Five Year Plan (2021-2025) and Long-Range Objectives through 2035. Beijing, for the first time, refrained from setting a specific GDP growth target for the country’s 14th Five Year Plan. However it did set the GDP growth target for this year as above 6 percent, with a major focus on cutting back fiscal stimulus and debt reduction. Further, the Chinese government ratified the ‘Regional Comprehensive Economic Partnership’ (RCEP) agreement.

In another development, Western brands, including H&M, Adidas, Nike, Burberry and New Balance faced a severe backlash from the Chinese government and consumers, including calls for boycott, for their refusal to source cotton from Xinjiang. This added to the prevailing anger against Western sanctions on Hong Kong and Xinjiang.

China has scaled up its Middle East diplomacy to strengthen its political and economic foot print, a major outcome being a 25 year Iran-China agreement on comprehensive cooperation, encompassing \$ 400 bn in investments in the fields of energy, ports, transport, industry and services. China is emerging as a major player with extensive political, trading and investment ties in the region

On the defence and security front, in a major boost to the People’s Liberation Army (PLA), China’s defence spending has been increased by 6.8 percent to CNY1.355 trillion (USD209 billion) this year. Further, in his remarks at a panel discussion attended by PLA commanders, Chinese President Xi Jinping stressed the need for maintaining “high level strategic deterrence and a joint combat system as well as more technological innovation in the military”. Defence Minister Gen. Wei Fenghe also called for combat readiness, stressing that country’s national security had “entered a high risk phase”.

In terms of military modernisation, the PLA Navy commissioned a 'Type 055' Guided-Missile Destroyer, "Lhasa." The Chinese Defence Ministry spokesman highlighted this as a "milestone in the PLA Navy's strategic transformation and development with key technological breakthroughs in design, information integration and assembly of large vessels".

On the technology front, during the 'Two Sessions', Premier Li Keqiang unveiled Beijing's plans to build a "Digital China" that seeks to nurture artificial intelligence, blockchain and cloud computing. As part of the 14th Four Year Plan, China aims to increase added value in the digital economy to 10 percent of GDP by 2025, up from 7.8 percent in 2020. Self-reliance in core technologies and beefed up R&D spending is also a priority for the Chinese government. Meanwhile, for the second consecutive year, in China emerged as the biggest source of global patent filings with the UN's World Intellectual Property Organization (WIPO) in 2020.

In the area of space technology, China and Russia concluded a memorandum of understanding to build an international scientific research station on the moon's South Pole.

## Foreign and Security Policy

### I. China-India Relations

The stalemate in China- India relations continued to persist through April. There was [talk of convening the 11th round of Military Commanders](#) discussions to take forward the stalled process of disengagement; however no dates have been fixed till date.<sup>1</sup>

India-China relations and their boundary dispute figured in the Chinese Foreign Minister's [annual press conference](#) on March 7, 2021. Talking about the future trajectory of bilateral relations, Foreign Minister Wang Yi stressed that the boundary dispute is only a part of overall India- China relations and that returning to peaceful negotiations was the only way forward.<sup>2</sup> He ignored the fact that [External Affairs Minister Dr. S. Jaishankar](#) had previously pointed out the importance of peace and tranquility along the border to ensure the smooth development of India-China bilateral ties.<sup>3</sup> In a report, the [Global Times](#) claimed that India is re-calibrating its policies in the post Trump era, anticipating the Biden administration will adopt a foreign policy endorsing multilateralism and international cooperation, avoiding a confrontational approach. It contended that such an approach would reduce the importance of India in US strategy, forcing India to adopt a less aggressive policy in the region.<sup>4</sup>

Multiple commentaries in the [Global Times](#) endeavoured to underscore India's political and strategic limitations in courting the US. These commentaries reflect anxieties and concerns in China regarding India's role in shaping the QUAD's (Quadrilateral Security Dialogue) new agenda and its growing relations with QUAD countries. A commentary on the visit of the US Secretary of Defence Lloyd Austin to Delhi (March 19-20) highlighted that India had deliberately avoided mentioning China in a joint statement to maintain balance in relations with China and the US.<sup>5</sup> Another [report](#) asserted that India "cannot afford" the cost of provoking China by publicly taking sides with

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<sup>1</sup>India, China Army commanders likely to meet this week: Report, "[Mint](#), March 21, 2021

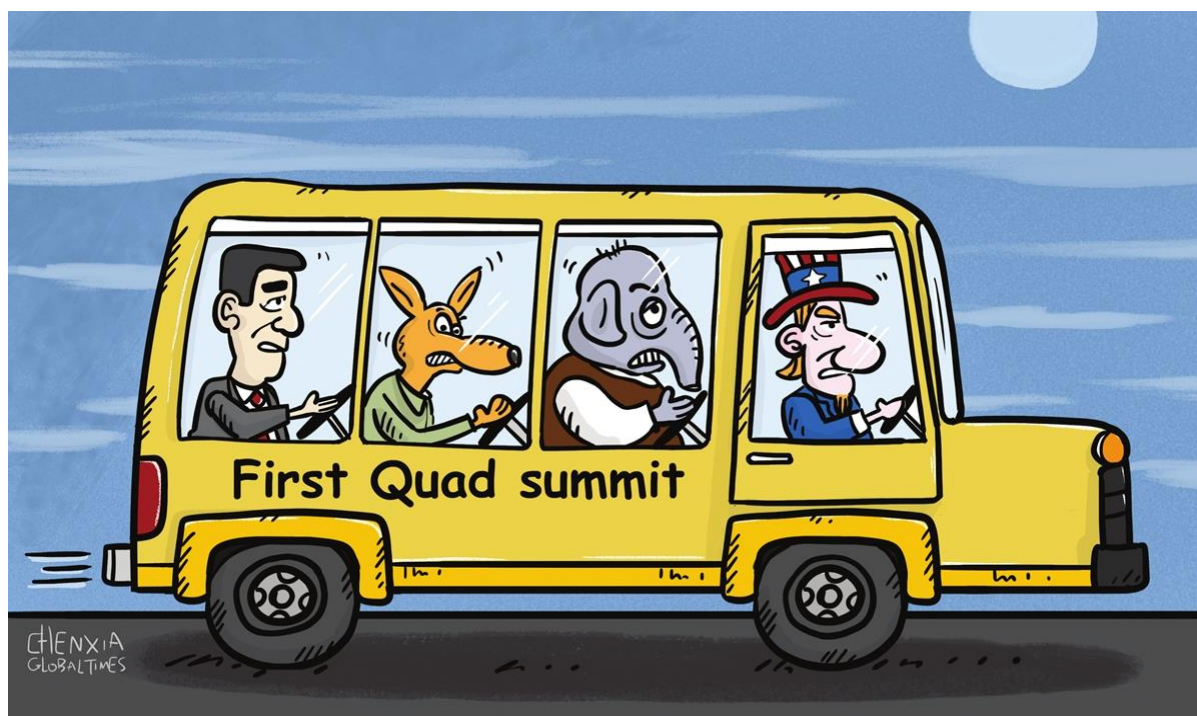
<sup>2</sup> State Councilor and Foreign Minister Wang Yi Meets the Press, [Ministry of Foreign Affairs, China](#), March 8, 2021

<sup>3</sup> Jaishankar Proposes 'Eight Guiding Principles' to Rebuild India-China Ties, "[The Wire](#), January 28, 2021

<sup>4</sup> "Is India calibrating to reverse or shift policies in the post-Trump era?," [Global Times](#), March 2, 2021

<sup>5</sup> "Is India calibrating to reverse or shift policies in the post-Trump era?," [Global Times](#), March 2, 2021

Washington.<sup>6</sup> Yet another article [invoking India – Russia relations asserted](#) that “India will not spoil its relations with Russia only to woo the US in order to balance China.” It maintained that stable Russia-India relations, to an extent, restrain India from deepening its ties with the US. While India needs US support to balance China, India also needs Russia's support in regional organisations such as the Shanghai Cooperation Organisation (SCO) and the Brazil, Russia, India, China, and South Africa forum (BRICS).<sup>7</sup>



First Quad leaders' summit caricature by the Global Times. Source: Global Times

In a significant development, China approved a major [hydroelectric power projects on the Yarlung Zangbo river](#) (Brahmaputra in India) in the close proximity of the Line of Actual Control in Arunachal Pradesh. Reacting to the development, German scientists warned of possible catastrophic consequences of the project, citing the Nanda Devi glacier burst in Uttarakhand during February 2021. A Taiwanese scientist, on the other hand, warned of possible water shortage or flooding as a result of the bursting of vulnerable glacier lakes if the hydro project is built.<sup>8</sup> [Global Times](#) dismissed

<sup>6</sup>“US attempt to unite Asian allies against China fails to live up to expectations: observers,” [Global Times](#), March 21, 2021

<sup>7</sup>“Russia’s capabilities to offset Quad influence should not be underestimated,” [Global Times](#), March 22, 2021

<sup>8</sup>“China Goes Ahead With More Himalayan Dams Despite Huge Risks: Experts,” [Radio Free Asia](#), March 23, 2021



these concerns as unnecessary hype, maintaining China's legitimate right to undertake hydropower development in its territory.<sup>9</sup>

On trade relations, state media argued that it is [unwise for India to take sides](#) and to follow the US's anti-China posturing.<sup>10</sup> It advised New Delhi to seek a beneficial position between the US and China", stressing there is space for India to win a share in value chains, or play a linking role between the two largest economies in the world".<sup>11</sup>

## II. South Asia-China Relations

Foreign Minister Wang Yi attended the [70th anniversary of China- Pakistan diplomatic relations ceremony](#) on March 2. In his speech, he underlined that both sides should practice multilateralism<sup>12</sup>, push forward CPEC, and forge new cooperation in agriculture, industry, science and technology.

In the context of deepening China-Pakistan relations, a report in [The Economic Times](#) drew some interesting insights into the dilemma faced by Pakistan by underscoring: (i) on one hand Pakistan has no role in Biden's alliance building against China, on the other hand "can Pakistan afford to jump ship on the US anti-China bandwagon given its growing economic and political dependence, or can it manufacture a non-terrorism-related geopolitical rationale to revive its ties with the US, particularly post the pullout of US forces from Afghanistan?;" and (ii) "With Pakistan-China strategic ties deepening, the Biden administration's drive against China is a serious predicament for Pakistan, in which it cannot readily take sides".<sup>13</sup>

India, Pakistan and China, along with other members of the Shanghai Cooperation Organisation, will hold a joint exercise "[Pabbi Antiterror 2021](#)", as announced during the 36<sup>th</sup> meeting of the Council of the Regional Anti Terrorist Structure (RATS) on March 18 in Uzbekistan.<sup>14</sup> [India has so far not](#)

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<sup>9</sup>"Development of Yarlung Zangbo River should be pushed forward despite difficulties," [Global Times](#), March 11, 2021

<sup>10</sup> "GT Voice: It's awfully unwise for New Delhi to take sides between US, China", [Global Times](#), March 8, 2021.

<sup>11</sup>Ibid.

<sup>12</sup>"Remarks by State Councilor and Foreign Minister Wang Yi At the Launch Ceremony in Celebration of the 70th Anniversary of China-Pakistan Diplomatic Relations", [Ministry of Foreign Affairs, China](#), March 2, 2021

<sup>13</sup>"Amid US-China confrontation, Pakistan faces strategic geopolitical dilemma," [The Economic Times](#), March 18, 2021

<sup>14</sup>"India, Pakistan, China to participate in SCO joint anti-terrorism exercise this year," [The Economic Times](#), March 21, 2021

[confirmed its participation in the exercise](#) which is reportedly being held in Pakistan.<sup>15</sup>

China, the US, and Pakistan participated in Afghan talks hosted by Russia in Moscow on March 18. The initiative is part of efforts to kickstart the stalled intra-Afghan dialogue between the Afghan government and the Taliban. India was not invited to the talks. However, during his subsequent three-day visit to New Delhi, Afghanistan foreign minister Mohammed Haneef Atmar apprised Delhi that [China is working closely with Afghanistan Government](#) on the peace process and is supporting Afghanistan's position on the issue of political settlement.<sup>16</sup> During an interview, Foreign Minister Atmar called it a mistake that India was not invited to the Moscow talks.<sup>17</sup>

China has included building a [Trans Himalayan Multi Dimensional Connectivity Network](#) through Tibet and Nepal, as a part of BRI in its 14<sup>th</sup> Five Year Plan (2021-2025).<sup>18</sup> This will improve connectivity with Nepal as also facilitate the rapid build-up of forces in any regional contingencies.

Sri Lanka has signed a [10 billion Yuan currency deal with China](#) for promoting direct investment and bilateral trade for over a year period. The deal has been signed between the Central Bank of Sri Lanka and the People's Bank of China.<sup>19</sup> Meanwhile, Sri Lanka is negotiating with India for a one billion US dollar swap agreement with the Reserve Bank of India.<sup>20</sup>

[Protest erupted in Bangladesh](#) when several Islamist groups demanded severing diplomatic relations with China over Uyghur Muslim persecution. These groups also called for a boycott of Chinese goods until the persecution stops.<sup>21</sup> Amidst these protests, [Chinese President Xi Jinping, in his message on the 50th anniversary of Bangladesh's independence](#), expressed his hope that the two sides will "better align China-Bangladesh strategies and jointly promote

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<sup>15</sup> "The Indian jawans in Pakistan exercise? Historic participation likely," [The Federal](#), March 23, 2021

<sup>16</sup> "China working closely with us on peace process: Afghan foreign minister Mohammed Haneef Atmar," [The Economic Times](#), March 24, 2021

<sup>17</sup> "It was a mistake not to invite India to Moscow talks, says Afghan Foreign Minister," [The Hindu](#), March 24, 2021

<sup>18</sup> "China to build important 'passageway' to South Asia through Tibet: Report," [Mint](#), March 5, 2021

<sup>19</sup> "Sri Lanka signs 3-year USD 1.5 billion currency swap deal with China," [Outlook](#), March 23, 2021

<sup>20</sup> "Sri Lanka signs 3-year USD 1.5 billion currency swap deal with China," [The Economic Times](#), March 23, 2021

<sup>21</sup> "Bangladesh's Islamist groups demand severing diplomatic relation with China Uighur Muslim persecution rising," [Bangla News](#), March 13, 2021

the construction of the Belt and Road, to take the China-Bangladesh strategic cooperative partnership to new heights".<sup>22</sup>

### III. United States-China Relations

China-US bilateral relations continued to be marked by acrimony, as in past months. During his annual press conference, Foreign Minister Wang Yi stressed the one-China principle as the political foundation for China-US relations on which there can be no compromise. He declared that the Chinese government expects the new US administration to appreciate "[the great sensitivity of the Taiwan question](#)" and abide by the one-China principle and the three Sino-US joint communiqués.<sup>23</sup>

Following the visit of the US Secretary of State and Defence Secretary to Asia, [Global Times](#) in an editorial criticised the US's "QUAD" diplomacy. Quoting a senior research fellow at the China Institute of International Studies, it underscored that "the Biden administration's attempt to sway Asian allies to counter China did not live up to its expectations...to form a solid alliance, the US needs to provide substantial benefits to those countries, but whether it can do so, and glue them together, is doubtful".<sup>24</sup> China further criticised US National Security Adviser Jake Sullivan for [not acknowledging QUAD as a new NATO \( the North Atlantic Treaty Organisation\)](#) stating, "The Asian version of NATO is how the Quad is portrayed in the press, and it is widely believed to fit well with Washington's ambitions."<sup>25</sup> [Global Times](#) also lashed out at Japan for targeting China in its "most acrimonious" joint statement with the US, reflecting a cold war mentality.<sup>26</sup> In contrast South Korea, given its strong political and economic reliance, will distance itself from any US-initiated Asian alliance to contain China.<sup>27</sup>

The month also witnessed the first direct high level talks between the Chinese Director for Foreign Affairs in the Central Commission, Yang Jiechi and Foreign Minister Wang Yi with their American counterparts, Secretary of State Antony Blinken and National Security Adviser Jake Sullivan, at Anchorage, Alaska on March 18 – 19. The meeting, intended to discuss a range of bilateral and multilateral issues, was largely acrimonious, with each side maintaining

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<sup>22</sup>Xi Jinping says ready to take China-Bangladesh ties to new heights,"[CGTN](#), March 17, 2021

<sup>23</sup> State Councilor and Foreign Minister Wang Yi Meets the Press, [Ministry of Foreign Affairs, China](#), March 8, 2021

<sup>24</sup>US attempt to unite Asian allies against China fails to live up to expectations: observers,"[Global Times](#), March 21, 2021

<sup>25</sup>"Propelling 'Asian NATO' beyond US capacity,"[Global Times](#), March 13, 2021

<sup>26</sup>"Japan sabotages China ties with 'acrimonious' statement with US,"[Global Times](#), March 17, 2021

<sup>27</sup>"S.Korea 'weak link' of US strategy to encircle China,"[Global Times](#), March 17, 2021

their stand, resulting in no breakthrough. The purpose of the meeting itself was disputed. While the Americans made it clear that this was a one-off dialogue with no follow ups planned, the Chinese side called it a strategic dialogue, the first in a series. A section of the Chinese state media projected these talks as "[constructive](#)"<sup>28</sup>, while other reports termed the talks "[a great lesson for Washington](#)."<sup>29</sup>



Chinese Foreign Minister Wang Yi and Yang Jiechi, Director of the Central Foreign Affairs Commission Office of the Communist Party of China, led the Chinese delegation in Anchorage, Alaska, for talks with the United States, March 18, 2021.

Source: South China Morning Post

Despite acrimony on bilateral issues, there was apparent agreement to cooperate on global concerns such as climate change. According to the China Daily, "[Beijing and Washington gained a deeper understanding](#) of each other's concerns" through a candid and constructive exchange.<sup>30</sup> [Maintaining that the talks once again proved](#) that communication and dialogue based on mutual respect could help the two sides increase trust, reduce misperceptions, properly manage differences and promote mutually beneficial cooperation".<sup>31</sup>

<sup>28</sup>"High level talks constructive," [China Daily](#), March 22, 2021

<sup>29</sup>"China-US Alaska talks a great lesson for Washington," [Global Times](#), March 20, 2021

<sup>30</sup>"High level talks constructive," [China Daily](#), March 22, 2021

<sup>31</sup>"Dialogue, win-win are right choices for China-US relations," [China Daily](#), March 21, 2021

Taking a different line, [Global Times](#) called the talks “an unprecedented open face-to-face confrontation between China and the US in recent decades”.<sup>32</sup> It called out the blatant and direct [opening remarks](#)<sup>33</sup> by the Secretary of State and the National Security Adviser to put pressure on China through a groundless attack.<sup>34</sup> It maintained that the “sharp counterattack” by the Chinese delegation responding to the US “aggression and arrogance” was applauded by the Chinese netizens.<sup>35</sup>

#### IV. European Union (EU) - China Relations

A [war of sanctions erupted between the European Union \(EU\) and China](#) after the former, acting in tandem with the US and Canada, imposed an asset freeze and travel ban on four Chinese officials over human rights abuses in Xinjiang.<sup>36</sup> Soon after the EU’s punitive measures, China retaliated with its own countermeasures [by sanctioning 10 individuals and four entities](#), accusing them of spreading rumours and interfering in Xinjiang affairs.<sup>37</sup> In the wake of the sanctions, [Chinese media warned that](#) the EU’s working relationship with China based on diplomacy, engagement and reciprocity did not allow for falsification and provocation to go unanswered.<sup>38</sup>

On March 23, Chinese Vice Foreign Minister Qin Gang summoned the head of the EU mission to lodge a protest against unilateral sanctions on China over Xinjiang. [Global Times](#) reported that the Vice Foreign Minister urged the EU to rectify mistakes before bilateral relations face greater damage.<sup>39</sup>

In a parallel development, US Secretary of State [Antony Blinken in an address at NATO headquarters](#) stressed to European allies that while China remains an economic and security threat for the US, the latter would not force its allies into an “us or them choice.” However, in the circumstances, “When one of us is coerced we should respond as allies and work together to reduce our

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<sup>32</sup>“Alaska talks to be remembered in history as a landmark: Global Times editorial,” [Global Times](#), March 19, 20

<sup>33</sup>“How it happened: Transcript of the US-China opening remarks in Alaska,” [Nikkei Asia](#), March 19, 2021

<sup>34</sup>“Alaska talks to be remembered in history as a landmark: Global Times editorial,” [Global Times](#), March 19, 2021

<sup>35</sup>“Netizens applaud Chinese delegation’s sharp response to US at Alaska talks,” [Global Times](#), March 20, 2021

<sup>36</sup>“Sanctions imposed over Uyghur abuses & other human rights violations”, [EU Sanctions](#), March 22, 2021

<sup>37</sup>“NO. 1 on China's sanction list, MEP Reinhard Bütikofer, should have been sanctioned earlier: senior expert,” [Global Times](#), March 23, 2021

<sup>38</sup>“China doesn't tolerate saboteurs in its relationship with the EU,” [CGTN](#), March 22, 2021

<sup>39</sup>“Chinese foreign ministry summons head of EU delegation to China over Xinjiang sanctions,” [Global Times](#), March 23, 2021

vulnerability by ensuring our economies are more integrated with each other.”<sup>40</sup>

On March 24, the [EU High Representative for Foreign Affairs and Security Policy, Josep Borrell](#), and the [US Secretary of State, Antony J. Blinken](#), met in [Brussels](#) to discuss ways to strengthen the EU-U.S. relationship. They decided to relaunch the bilateral dialogue on China. Acknowledging their shared understanding of multifaceted relations with China, the two sides decided to conduct high level dialogues on economic issues, human rights, multilateralism, security and areas of engagement with China.<sup>41</sup>

## V. Russia-China Relations

In the backdrop of growing acrimony in relations with the US, there is an apparent Chinese outreach to Russia. During his annual press conference, Wang Yi declared “the more unstable the world, greater the need for carrying forward China-Russia cooperation... [China and Russia should be each other's strategic support](#), development opportunity, and global partner”.<sup>42</sup>



Chinese Foreign Minister Wang Yi met with Russian Foreign Minister Sergey Lavrov in Guilin, Guangxi, on March 22, 2021. Source: [Twitter/@MFA\\_China](#)

<sup>40</sup>“Secretary of State Antony Blinken targets China over coercive measures,” [India Blooms](#), March 25, 2021,

<sup>41</sup> “Joint Statement by the Secretary of State of the United States of America and the EU High Representative for Foreign Affairs and Security Policy/ Vice President of the European Commission,” [US Department of State](#), March 24, 2021

<sup>42</sup> State Councilor and Foreign Minister Wang Yi Meets the Press, [Ministry of Foreign Affairs, China](#), March 8, 2021

Russian [Foreign Minister Sergei Lavrov, during his visit to China](#) on March 22, stated that “all human rights are universal, indivisible and interrelated, maintaining international law as the cornerstone of the development of human society”.<sup>43</sup> [Lavrov and Wang also denounced sanctions and restrictions](#), affirming “we will resolutely counter disinformation, strengthen cooperation on information security, support each other in upholding the government and system security, safeguarding the legitimate rights and interests of both countries and maintaining the stability of the surrounding areas of the two countries”.<sup>44</sup> Speaking of sanctions, [Foreign Minister Lavrov said](#), “to deal with the sanctions, Russia and China should strengthen cooperation under the framework of the United Nations to bring about an “immediate end of unilateral coercive measures”.<sup>45</sup>

## China’s Global Image

### I. Coronavirus

China has been busy cultivating its image through ‘vaccine diplomacy’. During his annual press conference, Chinese Foreign Minister spoke of China being a committed front runner in promoting international vaccine cooperation, adding that [China opposes “vaccine nationalism” and “vaccine divide”](#) or any form of politicisation of vaccines.<sup>46</sup> Despite these assertions, the reality is that Sinovac and Sinopharm, the two main Chinese companies, despite being among the earliest to begin vaccine trials globally, [have yet to publish any data from these studies](#).<sup>47</sup>

### II. Belt and Road Initiative

Chinese Premier [Le Keqiang’s Report On The Work Of The Government](#) delivered at the Fourth Session of the 13th National People’s Congress committed China to “promote high quality Belt and Road cooperation.”<sup>48</sup> In his press conference, the Chinese Foreign Minister also underlined that despite the pandemic, [the Belt and Road Initiative has “forged ahead”](#) with strong

<sup>43</sup> “China, Russia sign joint document on global governance,” [CGTN](#), March 23, 2021

<sup>44</sup> “Foreign Minister Sergey Lavrov’s remarks and answers to media questions following talks with Foreign Minister of China Wang Yi, Guilin, March 23, 2021,” [MOFA, Russia](#), March 23, 2021

<sup>45</sup> “Lavrov calls for high-level Russian-Sino cooperation against U.S. hegemony.” [CGTN](#), March 22, 2021

<sup>46</sup> State Councilor and Foreign Minister Wang Yi Meets the Press, [Ministry of Foreign Affairs, China](#), March 8, 2021

<sup>47</sup> “China’s vaccine diplomacy stumbles as clinical trial data remain absent,” [The Washington Post](#), March 23, 2021

<sup>48</sup> Full Text: Report on the Work of the Government, [Xinhua](#), March 12, 2021

resilience, new outcomes and great vitality. Maintaining that “thanks to our dual commitment to COVID response and economic reopening, not a single key BRI project was suspended during the pandemic”.<sup>49</sup> This is contrary to reports of at least [15 Chinese BRI projects worth USD 2.4 billion](#)<sup>50</sup>, [running into trouble](#) last year,

Criticising Wang’s claims, a report in the [South China Morning Post](#) declared that a “slow motion button” has hit several BRI projects. It pointed out the delay in holding the 10th meeting of the Joint Cooperation Committee for CPEC<sup>51</sup>, concluding “Officials all over the world are prone to positive interpretations of events, but to offer something so discordant with what is happening on the ground suggests a larger problem”.<sup>52</sup>

### III. Human Rights and Democracy

At his annual press conference on March 7, Foreign Minister Wang outrightly [denounced accusations of genocide in Xinjiang](#), maintaining these as “just a rumours fabricated with ulterior motives, and a through and through lie”.<sup>53</sup> Taking a similar stand at the [46th Session of the UN Human Rights Council meeting](#), China’s permanent representative to the UN’s Geneva office said, “We oppose politicisation of human rights and double standards. We reject acts of interference in other countries’ internal affairs, undermining their sovereignty and international cooperation under the dishonest pretext of human rights out of political motivations”.<sup>54</sup> He further described allegations of genocide in Xinjiang as [“the lie of the century.”](#)<sup>55</sup> At the same event, [Jiang Duan, minister of Chinese mission to the UN in Geneva urged the US](#) “to stop human rights violations in all forms and take effective measures to prevent its own human rights situation from further deterioration”.<sup>56</sup>

<sup>49</sup> State Councilor and Foreign Minister Wang Yi Meets the Press, [Ministry of Foreign Affairs, China](#), March 8, 2021

<sup>50</sup> “COVID-19 restrictions, other concerns affected China’s BRI projects in 2020: Report,” [ANI](#), February 7, 2021

<sup>51</sup> The central organising body which includes senior figures from China’s National Development and Reform Commission and Pakistan’s Ministry of Planning Development and Special Initiatives

<sup>52</sup> “Belt and Road Initiative: China’s rosy picture is at odds with realities on the ground during Covid-19”, [South China Morning Post](#), March 9, 2021

<sup>53</sup> State Councilor and Foreign Minister Wang Yi Meets the Press, [Ministry of Foreign Affairs, China](#), March 8, 2021

<sup>54</sup> “China opposes interference in internal affairs of sovereign states under the pretext of human rights,” [CGTN](#), March 19, 2021

<sup>55</sup> “Chinese envoy says ‘Xinjiang genocide’ claim is ‘lie of the century’,” [CGTN](#), March 13, 2021

<sup>56</sup> “China urges the U.S. to prevent domestic human rights situation from worsening,” [CGTN](#), March 17, 2021



## Trade and Economy

During the month, Beijing hosted the biggest event on the political calendar of China, '[Two Sessions](#)', the annual gathering of the Chinese People's Political Consultative Conference (CPPCC) and the National People's Congress (NPC).<sup>57</sup> Chinese Premier Li Keqiang delivered the [annual government work report](#) that highlights the draft outline of 'China's 14<sup>th</sup> Five Year Plan' (2021-2025) and Long-Range Objectives through the Year 2035.<sup>58</sup>



Chinese Premier Li Keqiang delivers the Government Work Report at the opening meeting of the fourth session of the 13th National People's Congress at the Great Hall of the People in Beijing on March 5, 2021. Source: The State Council, People's Republic of China.

China's economic plan for the year 2021 to achieve above 6 percent Gross Domestic Product (GDP) growth has a major focus on [cutting back fiscal stimulus and debt reduction](#).<sup>59</sup> As Beijing emphasised debt-reduction, the US

<sup>57</sup> John Carter, "China's 'two sessions': key takeaways from the annual government work report", [South China Morning Post](#), March 8, 2021.

<sup>58</sup> "Full Text: Report on the Work of the Government", [The State Council of the People's Republic of China](#), March 13, 2021.

<sup>59</sup> Orange Wang and Amanda Lee, China GDP: Beijing sets moderate 2021 economic growth target as focus shifts to debt reduction, [South China Morning Post](#), March 5, 2021.

government announced a [massive stimulus package](#) (coronavirus relief plan) worth USD1.9 trillion.<sup>60</sup> Chinese state media expressed [deep concerns about this stimulus](#) and highlighted the short-term benefits and long-term risks.<sup>61</sup> While criticising the US stimulus plan, China's former finance minister Lou Jiwei accused Washington of "monetising its budget deficit to [transfer its debt burden to the rest of the world](#), especially to developing countries like China".<sup>62</sup> At the same time, he expressed "serious concerns about [Beijing's 'extremely severe' fiscal risks](#) as the Chinese central government's revenue is likely to remain low in the next five years, with very little prospects for spending cuts".<sup>63</sup> It must also be noted that Beijing will "prudently advance the [internationalisation of Renminbi](#)" [Yuan].<sup>64</sup>

Considering global uncertainties, [Beijing has refrained from setting a specific GDP growth target](#) for the country's 14th Five Year Plan (FYP).<sup>65</sup> Further, during the two sessions, economist Lin Yifu spoke about "China stepping into the [ranks of high-income countries](#) during the 14<sup>th</sup> FYP period...The World Bank defines per capita income of USD12,536 or above as a high income country; Chinese GDP in 2020 exceeded CNY100 trillion [USD15.37 trillion] with the per capita income exceeding USD10,000".<sup>66</sup> Lin further highlighted [four major hurdles that China's economic development](#) is facing: income gap, urban-rural gap, environmental pollution, and aging population.<sup>67</sup> Regarding [China's aging population](#) and demands to remove birth restrictions, analyst Wang Xiangwei commented, "After 35 years of harsh family planning policies, whatever Beijing does will be too little too late, the population bomb has already exploded".<sup>68</sup>

In terms of manufacturing capabilities, Premier Li Keqiang set out a comprehensive plan to transform China into an advanced [manufacturing powerhouse by 2025](#).<sup>69</sup> For this, Beijing's emphasis is on [eight priority areas](#) including rare earth and special materials, robotics, aircraft engines, new

<sup>60</sup> US economic recovery builds on risky stimulus plan: Global Times editorial, [Global Times](#), March 9, 2021.

<sup>61</sup> Ibid.

<sup>62</sup> Orange Wang, "China's fiscal risks 'extremely severe', former finance minister warns ahead of key meetings", [South China Morning Post](#), February 28, 2021.

<sup>63</sup> Ibid.

<sup>64</sup> Mo Hong'e, Two Sessions 2021: key points, [China News Service](#), March 5, 2021.

<sup>65</sup> Not setting a specific GDP target for Five-Year plan allows more flexibility to respond to uncertainty: top Chinese planner, [Global Times](#), March 8, 2021.

<sup>66</sup> "China to cross high-income economy threshold by 2025: prominent economist", [Global Times](#), March 10, 2021.

<sup>67</sup> Ibid.

<sup>68</sup> Wang Xiangwei, "Is it already too late to defuse China's population time bomb?", [South China Morning Post](#), February 27, 2021.

<sup>69</sup> John Carter, "China's 'two sessions': key takeaways from the annual government work report", [South China Morning Post](#), March 8, 2021.

energy vehicles and smart cars, high-end medical equipment and medicines such as vaccines, agricultural machinery, major equipment used in shipbuilding, aviation, high speed rail and industrial applications of China's Beidou global navigation satellite system.<sup>70</sup> In light of Beijing's manufacturing superpower ambitions, China's former minister of Industry and IT, Miao Wei said, "China is at least 30 years away from achieving its goal of becoming a strong manufacturing power... [Currently] it is positioned in the third tier of a four-tier global [manufacturing hierarchy](#)".<sup>71</sup> Analyst Zhang Yansheng observed that "China is entering a new era in which [Beijing competes with the countries in the top tier of the manufacturing](#), and this has led to the US-China trade and technology war... the threat to the US is very real as Beijing has one of the biggest markets in the world with high quality consumer demand that no other country can match".<sup>72</sup>

On the real estate sector, Premier Li laid stress on "[reining in housing prices in large Chinese cities](#) to ensure affordability".<sup>73</sup> In light of this, authorities in Shanghai, Hangzhou and Shenzhen have started a clampdown on housing market speculation fearing a [real-estate bubble that could destabilize the Chinese economy](#).<sup>74</sup> Further, China is preparing to overhaul its household registration system (Hukou) to speed up "full integration" of rural residents into cities to [spur urbanization](#) and economic growth.<sup>75</sup> "The 14<sup>th</sup> five year plan aims for [65 percent of the country's population](#) to be living in cities by 2025".<sup>76</sup>

In an important development, the Chinese government ratified the [Regional Comprehensive Economic Partnership](#) (RCEP) agreement.<sup>77</sup> State media highlighted this as a "historical win for multilateralism and expressed confidence that [RCEP will form a unified, giant market with high potential and vitality](#)".<sup>78</sup> Further, China's Commerce Minister Wang Wentao spoke about Beijing's "determination to sign a bilateral investment treaty with the EU, and negotiate a trilateral free trade agreement with Japan and South Korea".<sup>79</sup> China

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<sup>70</sup> Ibid.

<sup>71</sup> "China in third tier of a four-tier global manufacturing hierarchy: former minister", [Global Times](#), March 7, 2021.

<sup>72</sup> Ibid.

<sup>73</sup> John Carter, "China's 'two sessions': key takeaways from the annual government work report", [South China Morning Post](#), March 8, 2021.

<sup>74</sup> Pearl Liu, "Shanghai, Shenzhen lead China's biggest cities in latest clampdown on housing market speculation after bubble warning", [South China Morning Post](#), March 4, 2021.

<sup>75</sup> Jane Cai, "China to roll out urban hukou welcome mat for rural residents in push for economic growth", [South China Morning Post](#), March 7, 2021.

<sup>76</sup> Ibid.

<sup>77</sup> "RCEP hits new milestone with China ratifying the free trade pact", [Global Times](#), March 8, 2021.

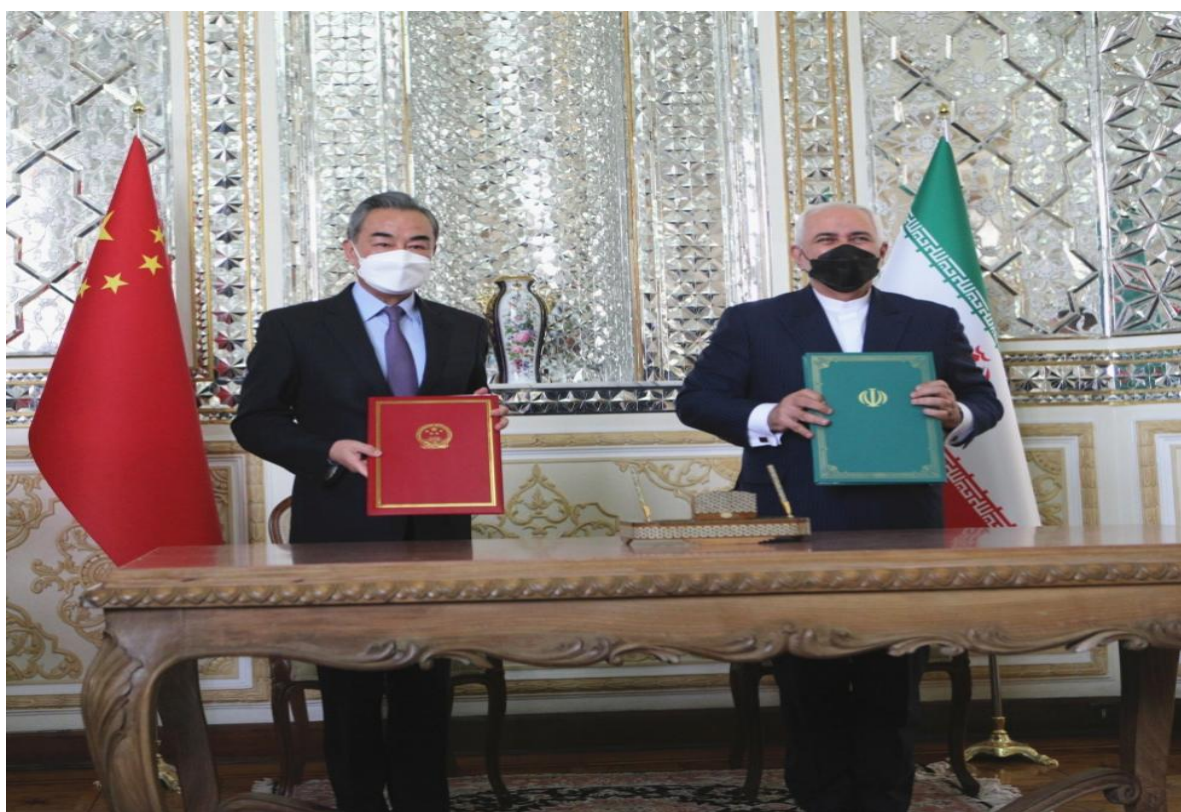
<sup>78</sup> Ibid.

<sup>79</sup> Ibid.

is also interested in signing the 'Comprehensive and Progressive Agreement for Trans-Pacific Partnership' (CPTPP) and has made unofficial contacts regarding the same".<sup>80</sup>

In another development, state media condemned [arson attacks on Chinese-invested factories in Myanmar](#), while highlighting the importance of these investments in Myanmar's development.<sup>81</sup>

China-Australia trade relations show no signs of improvement. Beijing will impose up to 218 percent five year [anti-dumping duties on Australian wine](#).<sup>82</sup> China's Ministry of Commerce (MOFCOM) stressed that "this decision comes after anti-dumping and anti-subsidy investigations on Australian wine".<sup>83</sup> A Chinese wine trader from Guangzhou noted that "Five-year dumping rate could completely wipe out Australian wines' competitiveness in the Chinese market".



China-Iran comprehensive cooperation plan was signed on March 27, 2021.

Source: Twitter/@MFA\_China

<sup>80</sup> Ibid.

<sup>81</sup> "GT Voice: China's investment vital for Myanmar's development", [Global Times](#), March 15, 2021.

<sup>82</sup> "China to impose up to 218% five-year anti-dumping duties on Australian wines, effective Sunday", [Global Times](#), March 26, 2021.

<sup>83</sup> Ibid.

In another development, major western fashion brands including Adidas, Nike, H&M, Burberry and New Balance, [refused to source cotton from Xinjiang](#).<sup>84</sup> As a result, these companies are facing severe backlash from the Chinese government and consumers, including calls for boycott. Chinese Commerce Ministry spokesman expressed hope that “relevant companies would respect the laws of the market, correct wrong practices and avoid politicising commercial issues”.<sup>85</sup>

China has stepped up its Middle East (West Asia) diplomacy to strengthen its political and economic foot print in that region. Chinese Foreign Minister Wang Yi undertook a multi-nation tour of the Middle East during the month. On March 27, Iran and China signed a 25 year [plan for comprehensive cooperation](#).<sup>86</sup> The spokesperson of the Chinese Ministry of Foreign Affairs stated that, “The plan focuses on tapping the potentials in economic and cultural cooperation and charting course for long-term cooperation. It neither includes any quantitative, specific contracts and goals nor targets any third party, and will provide a general framework for China-Iran cooperation going forward”. While the Chinese government did not reveal any specific details about how much Beijing is planning to invest in Iran, the figure of \$ 400 bn. is being widely cited.<sup>87</sup>

## Defence and Security

In a major boost for the People’s Liberation Army (PLA), for this year China’s [defence spending has increased](#) by 6.8 percent to CNY1.355 trillion (USD209 billion).<sup>88</sup> One-third of this budget would be spent on construction projects and the rest on weapons, equipment and salaries. Further, in his remarks at a panel discussion attended by PLA representatives, President Xi Jinping laid stress on maintaining “high level strategic deterrence and a joint combat system as well as more technological innovation in the military”.<sup>89</sup> Earlier, China’s Defence Minister [General Wei Fenghe had called for combat readiness](#) stressing that country’s national security had “entered a high risk phase”. Gen. Wei warned,

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<sup>84</sup> Linda Lew, “China presses global fashion brands to reverse Xinjiang cotton boycott”, [South China Morning Post](#), March 25, 2021.

<sup>85</sup> Ibid.

<sup>86</sup> “Foreign Ministry Spokesperson Zhao Lijian's Regular Press Conference”, [Ministry of Foreign Affairs, People's Republic of China](#), March 29, 2021.

<sup>87</sup> Ibid.

<sup>88</sup> Minnie Chan, “China’s 6.8 per cent rise in military spending expected to stoke unease in region”, [South China Morning Post](#), March 6, 2021.

<sup>89</sup> Catherine Wong, “Xi Jinping tells China’s military ‘be prepared to respond’ in unstable times”, [South China Morning Post](#), March 9, 2021.

"The US containment efforts would last throughout the process of Chinese national rejuvenation".<sup>90</sup>

In terms of military modernisation, the PLA Navy commissioned '[Type 055 Guided-Missile Destroyer Lhasa](#)'.<sup>91</sup> China's Defence Ministry spokesman highlighted this as a "milestone in the PLA Navy's strategic transformation and development with key technological breakthroughs in design, information integration and assembly of large vessels".

Beijing rejected Japanese reports about Chinese public service vessels conducting more frequent activities in waters near the 'Diaoyu Islands'.<sup>92</sup> China's Ministry of National Defence stated that, "[Diaoyu Islands and its affiliated islands are inherent Chinese territory](#) with sufficient historical and legal grounds. The patrol and law enforcement activities by the Chinese public service vessels within the Chinese territorial waters are legitimate and undisputed, and will continue to be carried out normally".<sup>93</sup>

## Technology

During the 'Two Sessions', Premier Li Keqiang unveiled [Beijing's plans to build a "Digital China"](#) that seek to nurture artificial intelligence, blockchain, and cloud computing.<sup>94</sup> As part of the 14<sup>th</sup> FYP, China aims to increase added value in the digital economy to 10 percent of the GDP by 2025, up from 7.8 percent in 2020.<sup>95</sup> Further, Beijing is speeding up the roll-out of two laws protecting personal information and data security. Even as the Chinese central government seeks more digitisation, analyst Li highlighted that, "(Beijing's regulatory) tolerance led to an explosive growth of internet companies, but as the Big Tech has gained more power now, the regulators will be more cautious with their tolerance".<sup>96</sup>

Self-reliance in core technologies and beefed up Research and Development spending also topped the agenda in the 2021 government work report. In light of this, scholar Zhou Shijian commented that, "while it is impossible for the US to decouple with China in trade and economy, it is entirely possible for

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<sup>90</sup> Ibid.

<sup>91</sup> Type 055 Destroyer Lhasa commissioned to PLA Navy: Defense Spokesperson, [Ministry of Defence People's Republic of China](#), March 25, 2021.

<sup>92</sup> China's patrol and law enforcement activities near Diaoyu Islands legitimate and lawful: Defense Ministry, [Ministry of National Defence People's Republic of China](#), March 1, 2021.

<sup>93</sup> Ibid.

<sup>94</sup> Iris Deng and Xinmei Shen, "China's 'two sessions' 2021: plans for 'Digital China' transformation come with increased regulations for personal data", [South China Morning Post](#), March 6, 2021.

<sup>95</sup> Ibid.

<sup>96</sup> Ibid.

Washington to [decouple from China in technological sphere](#), making more spending (on R&D) a dire necessity for the sake of national security".<sup>97</sup> In a related development, China started construction of the [national technology innovation hub](#) to promote industrialisation of major research outcomes in key technologies.<sup>98</sup>

For the second consecutive year, [China emerged as the biggest source of global patents filings](#) with the UN's World Intellectual Property Organization (WIPO) in 2020.<sup>99</sup> It must be noted that for the past four years, the "biggest single filer under this system has been China's Huawei Technologies, followed by Republic of Korea's Samsung Electronics".<sup>100</sup> Daren Tang, WIPO Director-General, highlighted the "rise in Chinese patent filings as part of long-term trend for higher applications from Asia, with Republic of Korea, Singapore and Malaysia all submitting increasing number of applications last year".<sup>101</sup>

The Chinese central government once again "vowed to provide vigorous support to build a market-oriented and internationalised business environment for the [development of semi-conductor industry](#)".<sup>102</sup> Further, Semiconductor Manufacturing International Corp (SMIC) signed an agreement with Shenzhen government to setup an USD2.35 billion [wafer fabrication plant](#).<sup>103</sup> According to SMIC, "the new plant will produce 28-nanometer and above integrated circuits and technical services... that can meet chip demand from industries like automobiles, home appliances, transportation, and aerospace. Chinese analysts highlighted SMIC's move to setup this plant as an effort to "develop more semi-conductors at home, while reducing reliance on foreign companies".<sup>104</sup>

In the space technology sector, [China and Russia signed a memorandum of understanding](#) to build an international scientific research station on moon's South Pole.<sup>105</sup> Wu Weiren, the chief designer of China's lunar exploration program, stressed that "if lunar research station project is successfully

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<sup>97</sup> "China's beefed up R&D spending to narrow tech gap with US, ease stranglehold problems", [Global Times](#), March 5, 2021.

<sup>98</sup> "China starts construction of national technology innovation hub", [Xinhua Net](#), March 3, 2021.

<sup>99</sup> Emma Farge, "China extends lead over U.S. in global patents filings, U.N. says", [Reuters](#), March 2, 2021.

<sup>100</sup> Ibid.

<sup>101</sup> Ibid.

<sup>102</sup> Ma Si, "Govt vows vigorous support for chip industry", [China Daily](#), March 1, 2021.

<sup>103</sup> Cheng Yu and Ma Si, "SMIC teams up with Shenzhen fund for \$2.35b wafer fabrication plant", [China Daily](#), March 19, 2021.

<sup>104</sup> Ibid.

<sup>105</sup> "China plans to build research station on moon's south pole: chief designer", [Xinhua Net](#), March 14, 2021.

implemented, China will not be far away from achieving manned landing on the moon".<sup>106</sup> Wu also highlighted that Beijing will "continue to promote the development of heavy launch vehicles, pursue breakthroughs in rocket body sizes and engine thrust to conduct deep space explorations during the 14<sup>th</sup> FYP". In light of this, China tested a high-thrust oxyhydrogen engine designed for the Long March-5 carrier rocket, and also launched a [medium-lift Long March-7A Y2 carrier rocket](#).<sup>107</sup> "The experimental satellite sent into the orbit through this will be used for testing new technologies including space environment monitoring". China is planning to launch world's first [satellite actively sensing CO2 with the LiDAR](#) [light detection and ranging] technology, as the country plans to go carbon neutral before 2060.<sup>108</sup>

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<sup>106</sup> Ibid.

<sup>107</sup> "China launches medium-lift Long March-7A carrier rocket", [Xinhua Net](#), March 12, 2021.

<sup>108</sup> "China to launch new satellite for CO2 monitoring", [Xinhua Net](#), March 2, 2021.





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