



Delhi Policy Group

Advancing India's Rise as a Leading Power



DPG China Monitor

December 2021



Volume IV, Issue 12 | December 2021

Delhi Policy Group

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www.delhipolicygroup.org



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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:

Amid LAC Deadlock, China Looking at Integrated Air Defence Grid, Putting Together PLA & Air Force Assets

Source: News 18, Link: <https://www.news18.com/news/india/amid-lac-deadlock-china-looking-at-integrated-air-defence-grid-putting-together-pla-air-force-assets-intel-4509374.html>

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Abstract

Two months after the 13th round of senior army commanders' meeting that ended in a deadlock, China responded positively to resuming the talks to take forward the process of disengagement from remaining friction points along the LAC in the western sector. Open Source Intelligence (OSI) reports however indicate that, despite agreed disengagement at the friction points of Galwan, Gogra and Pangong Tso, Chinese forces continue to remain in proximity of these locations, particularly in the Galwan valley and east of Kongka La. Further, there are reports that China is developing a new garrison at Kangxiwar, located 25Km from the LAC near Aksai Chin.

Meanwhile, addressing the fifth Indian Ocean Conference in Abu Dhabi on December 5, the Indian External Affairs Minister, Dr. S. Jaishankar, spoke about China's rise and aggravating territorial tensions across Asia, underscoring that the consequences of China's growing capabilities are particularly profound because of the extrapolation of its domestic seamlessness to the world outside.

In India's neighbourhood, Pakistan was reported to have acquired 25 Chinese J-10C fighter jets from China in response to India's acquisition of 36 fourth generation Rafale aircraft. China reportedly signed a contract with the Pakistan government for construction of a 3021 km oil pipeline from Gwadar Port to Xinjiang. Elsewhere, a visit by the Chinese Ambassador to Sri Lanka's Tamil-majority Northern Province sparked speculation about China's efforts to expand its footprint in Sri Lanka's Northern provinces.

The Chinese state media widely criticised President Biden's "Democracy Summit", calling the participants "anti-China clowns". The "summit" was described as a useless show to cover the real problems of Western democracy and provide a platform for anti-China forces, such as Hong Kong separatists and Taiwan secessionists, to gain attention. Simultaneously, China's State Council issued a white paper on the country's political system titled "China: Democracy That Works".

China reacted sharply to the Pentagon's 2021 Global Posture Review (GPR), with the People's Daily describing it as full of "Cold War mentality", "embodiment of US's age-old hegemonic mindset" and a result of Washington's "habit of maintaining hegemony with military means". Meanwhile, Beijing continued its aggressive posturing in the South China Sea (SCS), Taiwan strait and the Western Pacific. The PLA Navy's aircraft carrier 'Liaoning' held drills in waters east of Japan's Okinawa, while the aircraft carrier 'Shandong' conducted combat exercises in the SCS. Chinese analysts observed that "it is only a matter

of time before Liaoning and Shandong form a powerful carrier group that can cover an even wider range of sea and air regions”.

Amidst heightened tensions over Russia amassing troops along the border with Ukraine and Moscow’s growing friction with Europe and the United States, Chinese President Xi Jinping supported Russian President Vladimir Putin in his push for obtaining Western security guarantees against NATO’s eastward expansion. In turn, President Putin “strongly supported China’s efforts to protect each other’s key national interests and firmly opposed attempts to drive a wedge between the two countries.” Importantly, Xi and Putin pledged to accelerate their efforts to form “independent financial infrastructure” to service trade between the two countries.

The European Commission and the High Representative for Foreign Affairs and Security Policy launched its ‘Global Gateway’ initiative on December 1, which aims to countervail the Belt and Road initiative through transparent, rules-based, infrastructure and connectivity projects.

President Xi Jinping chaired a meeting of the Political Bureau of the Communist Party of China (CPC) to analyse economic policies for 2022. The CPC leadership emphasised the importance of safeguarding “macroeconomic stability”, “keeping major economic indicators within an appropriate range” while “maintaining social stability to prepare the Party for 20th National Congress” in 2022.

Amidst growing technology competition with the US, China issued its first white paper on export controls urging greater engagement toward shaping “fair, reasonable and non-discriminatory” global export controls.

Foreign and Security Policy

I. China-India Relations

Two months after the 13th round of senior army commanders meeting ended in a deadlock, China has responded positively to hold the next corps commander meeting at an early date to take forward the process of disengagement from remaining friction points along the LAC in the western sector.

Meanwhile, there are disturbing reports of China scaling up its border infrastructure that include construction of multiple lateral roads running westwards from [China's G219 highway](#) (connects Tibet Autonomous Region with Xinjiang passing through Aksai Chin), towards the LAC.¹ Social media posts claimed that China is developing a new garrison at Kangxiwar near Aksai Chin. It is located 25Km from occupied Aksai Chin, thereby is strategically very important. Reports also indicate a road tunnel is being constructed to connect infrastructure in disputed Aksai Chin with Hotan Air Base (near LAC), where China rotates bombers, fighters and early warning aircraft. There are also reports of [PLA Western Theatre command](#) undertaking redeployment of forces in depth areas. Indian Army too is planning to augment its firepower and fortify defenses along the Line of Actual Control (LAC), to strengthen its positions.²

[OSI \(Open Source Intelligence\) reports indicate](#) that despite agreed disengagement at the friction points of Galwan, Gogra and Pangong Tso, Chinese forces continue to remain, in proximity of these locations particularly Galwan valley and east of Kongka La to ensure an acceptable turnaround time frame, in case of any contingency.³

Referring to the continuing military standoff, the outgoing Indian envoy to China, [Vikram Misri, during a fairwell call](#) to the Chinese State Councillor and Foreign Minister Wang Yi remarked that "certain challenges" since last year had overpowered the vast opportunities in bilateral relationship".⁴ Adding that challenges and difficulties can be overcome through engagement, and hoped

¹ "China Scaling Up Border Infra, Redeploys Forces in Depth Areas Amid LAC Stand-Off," [News 18](#), December 1, 2021

² "Indian Army Plans 'Nuclear Shield' To Fortify Defenses Amid Simmering Border Tensions With China," [The Eurasian Times](#), December 27, 2021

³ "China Started Beefing up Military Infrastructure Near Ladakh After Dilution of Article 370," [The Wire](#), December 21, 2021

⁴ "Challenges overpowered China ties: Outgoing envoy," [Hindustan Times](#), December 7, 2021

that a “complete resolution” will be possible under the guiding framework provided by Wang Yi and India’s External Affairs Minister, Dr. S Jaishankar.⁵



Indian External Affairs Minister, Dr. S. Jaishankar, addressed 5th Indian Ocean Conference in Abu Dhabi on December 5, 2021. Source: [AIR News](#)

While addressing the [fifth Indian Ocean Conference \(IOC 2021\)](#) in Abu Dhabi on December 5, Dr. S. Jaishankar spoke about China’s rise, aggravating territorial tensions across Asia.⁶ He said, “The consequences of China’s growing capabilities are particularly profound because of the extrapolation of its domestic seamlessness to the world outside. As a result, whether it is connectivity, technology or trade, there is now an ongoing debate on the changed nature of power and influence”. “We have also seen a sharpening of tensions on territorial issues across the breadth of Asia; agreements and understandings of yesteryears now seem to have some question marks. Time will, of course, provide answers”, Dr. Jaishankar added.⁷ Further, during the [Hindustan Times Leadership Summit](#) on December 2, Dr. S. Jaishankar talking about state of bilateral relations with China, underscored that, India and China cannot simultaneously have a “tense, high friction border” and great relations in all other spheres, especially after Beijing violated clear cut commitments in two agreements on not massing forces on the frontier.⁸

⁵ Ibid.

⁶ “Territorial tensions ‘sharpening’ across Asia following China’s rise: Jaishankar,” [Hindustan Times](#), December 5, 2021

⁷ Ibid.

⁸ “Can’t have great relations with high friction border’: Jaishankar on China ties at HTLS 2021,” [Hindustan Times](#), December 2, 2021

II. China South Asia Relations

Pakistan has started ceding important projects to Beijing as a way out to repay its burgeoning debt arising out of unpaid Chinese loans. In an important development, Imran Khan Government awarded a contract for the construction of 3021 km, [crude oil pipeline from Gwadar port in Pakistan to Xinjiang](#). The company will not only finance the construction but will also take away profits generated from the pipeline.⁹ Strategic importance of the pipeline lies in overcoming the Malacca choke point as also pump crude directly for upstream refineries in Western China.¹⁰

[China launched Type 054AP Tughril-class warship built for the Pakistan Navy](#). This is first of the four of Type 054 frigates being constructed for the Pakistani Navy by China.¹¹ It is technologically advanced and highly capable platform with enormous surface-to-surface, surface-to-air and underwater fire power.¹²

In response to Indian acquisition of 36 fourth generation Rafael aircraft from France, [Pakistan has acquired a full squadron of 25 Chinese J-10C fighter jets](#) from China.¹³ Details are sketchy and we have only interior minister's remarks to go by. However, these aircrafts did take part in bilateral air exercise between the two countries in the first week of Dec, 2021.¹⁴

On December 22, [Security Council adopted Resolution 2615](#) that makes assistance and other activities to support basic humanitarian needs of Afghanistan, not violative of sanctions under Resolution 1988.¹⁵ Following the adoption of the Resolution, China called upon the US to unfreeze Afghanistan's overseas assets earliest to ease the humanitarian crisis, facing the nation.¹⁶

Aircrafts purchased by Nepal from China in 2014, are turning into a major liability owing to their impaired performance. Nepalese airlines have claimed that it [cannot not afford to fly these aircrafts](#) owing to safety concerns, grounding aircrafts until further notice. In another development, [China's withholding of trucks and containers at the Nepal - China border](#) has become

⁹ "Pakistan cedes strategic pipeline contract to China to repay mountain of debt," [ANI](#), December 3, 2021

¹⁰ Ibid.

¹¹ "China launches three warships; one vessel for Pakistan Navy, another for Thai Navy," [Wion News](#), December 26, 2021

¹² Ibid.

¹³ "Pakistan buys 25 Chinese J-10C fighter jets in response to India's Rafale aircraft acquisition," [The New Indian Express](#), December 30, 2021

¹⁴ Ibid.

¹⁵ "Chinese envoy to UN urges US to unfreeze Afghan assets to avert humanitarian crisis," [Global Times](#), December 23, 2021

¹⁶ Ibid

a concern for traders which is leading to disruptions.¹⁷ Nepalese traders are facing inconsistencies in import orders from China, leading to monetary losses.

Reports have surfaced that a Chinese company China Road and Bridge Corporation (CRBC), engaged in the construction of roads and bridges in Bangladesh is involved in [tax evasion](#) while importing construction material for government projects. Earlier in December 2020, the National Board of Revenue (NBR) launched an investigation into ZTE Bangladesh, a subsidiary of the Chinese ZTE Corporation on the suspicion of tax evasion. ZTE has many business operations in different parts of the country.¹⁸ Meanwhile, on December 28, [Bangladesh Railway signed an agreement with a Chinese firm](#) to procure 580 meter-gauge wagons with a view to expand its freight services across the country.¹⁹

A recent visit by the Chinese Ambassador Qi Zhenhong, to Sri Lanka's Tamil-majority Northern Province sparked concern about heightening geopolitical contest between India and China. The [wide media coverage of the visit was interpreted as](#) Chinese aspiration to expand footprint in Northern provinces sensitive to Indian security concerns.²⁰

III. China United States Relations

US Secretary of State Antony Blinken, during his visit to Indonesia, spoke about "[deepening treaty alliances](#) with Australia, Japan, Republic of Korea, Philippines, and Thailand, and fostering greater cooperation among allies and partners on the lines the US has done with QUAD".²¹ Reacting to this, a commentary on CGTN stressed that "another QUAD-like network is the last thing Asia needs". The said countries are being "tricked into becoming US' pawns and need to reject Washington's plans".²²

In the past few months [China has escalated diplomatic, military, and psychological pressure](#) over Taiwan.²³ With tensions escalating, the US and

¹⁷ "Nepal faces significant fall in imports from China, traders bear the brunt," [Business Standard](#), December 3, 2021

¹⁸ "Chinese firms linked to CPEC projects evade tax commitments in Bangladesh," [Business Standard](#), December 18, 2021

¹⁹ "Bangladesh Railway signs deal with China firm to buy 580 wagons," [New Age](#), December 28, 2021

²⁰ "Chinese Ambassador's visit to Jaffna sparks concern, commentary in Sri Lanka," [The Hindu](#), December 26, 2021

²¹ Andrew Korybko, "Another Quad-like network is the last thing that Asia needs", [CGTN](#), December 18, 2021.

²² Ibid.

²³ "Japan, U.S. draw up plan for any Taiwan emergency –Kyodo," [Reuters](#), December 24, 2021

Japan have drawn up a draft plan for undertaking joint operation in the eventuality of crisis escalating. Plans, include, for the US Marine Corps to set up temporary bases on the Nansei island chain, stretching from Kyushu to Taiwan. While the Japanese Self Defence forces will be responsible for logistic support in terms of ammunition, fuel supplies etc.

The [US appointed a Special Coordinator for Tibetan Issues](#) on December 21, entrusted with the responsibility to open long-stalled dialogue between Tibet's exiled spiritual leader the Dalai Lama and China. China denounced the move as political manipulation.²⁴ Further, the United States has ramped up pressure, over China's treatment of the Uyghur minority, with Biden administration voting to curb trade and issuing new sanctions. The [US Senate unanimously voted to make the United States](#) the first country to ban virtually all imports from China's Xinjiang region over forced labour concerns.²⁵ The US has added eight more Chinese companies to an existing investment blacklist citing human rights violations.



President of the United States, Joe Biden, addresses 'Summit for Democracy' held on December 9, 2021. Source: Twitter/[@POTUS](#)

²⁴ "US names Tibet coordinator, riling PRC," [Taipei Times](#), December 22, 2021

²⁵ "US bans imports from China's Xinjiang over human rights abuses," [France 24](#), December 24, 2021

Denouncing the US move [China's Foreign Ministry said China will](#) take "all necessary measures" to protect Chinese companies.²⁶ Prior to this on December 6, 2021, the Biden administration announced that the US government officials will boycott the upcoming Beijing winter Olympics, citing grave human rights abuses, especially the genocide against the Uyghur Muslims in Xinjiang. In a retaliatory move [China banned four members of a US government body](#) monitoring religious freedom from entering China or doing business there.²⁷ However, in a surprise move, Chinese Communist Party (CPC), abruptly replaced its Xinjiang province chief Chen Quanguo. It gave no reason for the move.

A week before Biden's Democracy Summit, [China hastily convened an International forum on democracy](#) on December 4 to explore the essence, history, current state and development of democracy, with a call for upholding of common values. Chinese state media widely criticized Biden's Democracy Summit calling the participants "anti-China clowns".²⁸ It said "The 'summit' is a useless show to cover the real problems of Western democracy and has only provided a platform to some anti-China forces such as representatives of Hong Kong separatists and the Taiwan secessionist authority" to gain attention.

IV. China - Russia Relations

[President Xi Jinping had a virtual meeting](#) with President Vladimir Putin on December 15.²⁹ They hailed their bilateral relations, with President Putin calling them as "a proper example of interstate cooperation in the 21st century". Amidst growing call for boycotting Beijing Olympic Games 2022, largely from Western Capitals, [Putin declared that he looked forward](#) to attending the opening ceremony of the 2022 Winter Olympic Games in Beijing.³⁰

With heightened tensions over Russia amassing troops along the Ukrainian border, Chinese President Xi Jinping supported President Vladimir Putin in his push for obtaining Western security guarantees against NATO's eastward expansion. In turn, [Putin "strongly supported China's efforts](#) to protect each

²⁶ "China firmly opposes U.S. sanctions against Chinese firms over Xinjiang," [CGTN](#), December 17, 2021

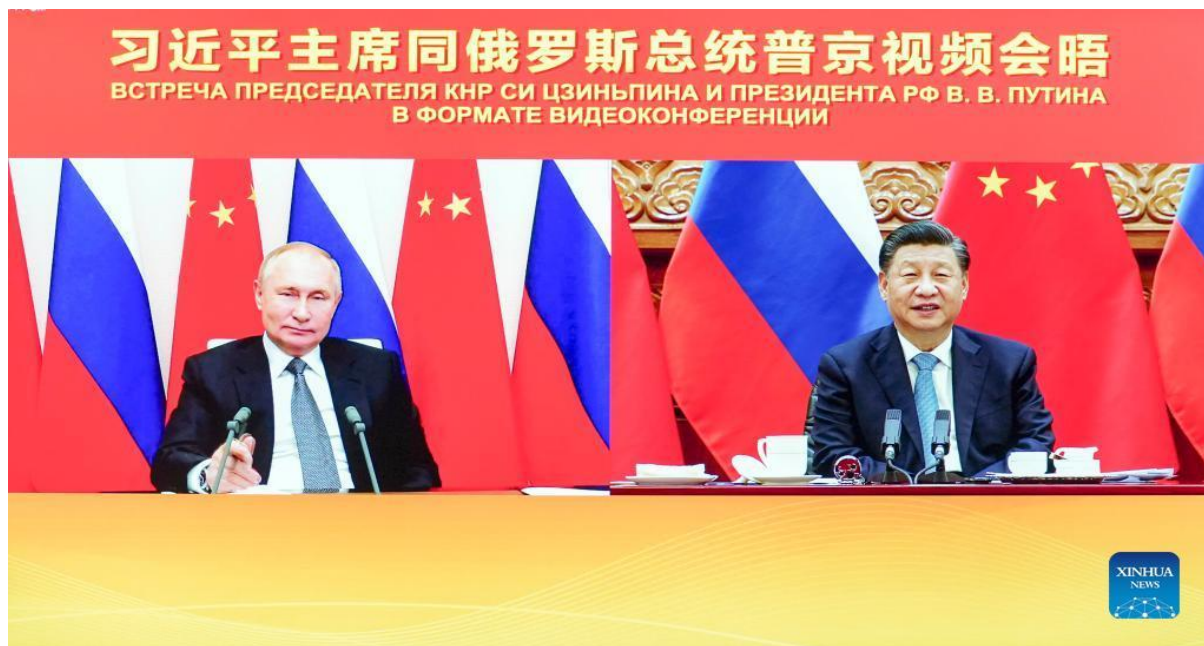
²⁷ "China sanctions four US officials after Washington's measures over Xinjiang," [South China Morning Post](#), December 21, 2021

²⁸ "Biden opens democracy summit, 'shows no confidence'," [Global Times](#), December 10, 2021

²⁹ "President Xi Jinping Had a Virtual Meeting with Russian President Vladimir Putin," [MFA China](#), December 15, 2021

³⁰ "Le Yucheng: China-Russia relations at best period in history," [CGTN](#), December 15, 2021

other's key national interests and firmly opposed attempts to drive a wedge between the two countries."³¹



Russian President Vladimir Putin and Chinese President Xi Jinping held virtual meeting on December 15, 2021. Source: [Xinhua/Yin Bogu](#)

Russia and China have agreed to develop shared financial structures to deepen economic ties “in a way that will not be affected by pressure of third countries”. According to [Global Times](#), the move will help both countries “deter the threat of the US government’s long-arm jurisdiction based on the US dollar denominated international payment network”.³²

In the backdrop of continuing standoff with China, at the recent India-Russia annual summit, India declared that Russia will remain its “major partner” during the neighbourhood’s current “challenging” circumstances, underscoring the need for an enhanced military collaboration between the two countries.³³

V. China - European Union Relations

On December 01, the European Commission and the High Representative for Foreign Affairs and Security Policy launched, [the Global Gateway](#), the new European Strategy to boost smart, clean and secure links in digital, energy and

³¹ “President Xi Jinping Had a Virtual Meeting with Russian President Vladimir Putin,” [MFA, China](#), December 15, 2021

³² “China and Russia to establish independent financial systems: Russian media,” [Global Times](#), December 17, 2021

³³ “India Raises Military Stand-Off With China at First ‘2 Plus 2’ Dialogue With Russia,” [The Wire](#), December 6, 2021

transport as also to strengthen health, education and research systems across the world.³⁴ The aim is to countervail, BRI's influence through transparent, rule based infrastructure and connectivity projects. Calling it a rubber check [a Global Times report](#) commented "The vision, dreamy as it seems, stands in contrast with the bloc's poor capability to turn its vision into reality".³⁵

A [High level Dialogue between the US and the EU](#) on December 2 voiced concern about the growing list of Chinese actions including breach of international law. The Discussions also flagged issues like human rights abuses and violations in Xinjiang and Tibet. They expressed a shared interest in continued exchanges and cooperation, including in the multilateral fora, over human rights violations, and concerns in China.³⁶

Following the dialogue [a report in China Daily](#) stated that "the United States' purpose for the meeting was to drive a wedge between the European Union and China, the EU's largest trade partner".³⁷

Following growing differences over China's human rights violations the annual [EU-China summit has been postponed](#).³⁸ Reports hint at little chances of both making progress in key areas following range of identified disagreements over human rights, economics, and trade issues.³⁹

Last month, China downgraded its diplomatic relations with Lithuania for allowing Taiwan to open its embassy in its capital city. Reacting to Lithuania's move, [EU maintained that Lithuania had not breached the one-China policy](#). Meanwhile, China has told multinationals to sever ties with Lithuania or face being shut out of the Chinese market.⁴⁰ Refuting reports of economic coercion, [Chinese state media warned](#) of the price Lithuania will have to pay for harming China's core interests.⁴¹

³⁴ "Global Gateway: up to €300 billion for the European Union's strategy to boost sustainable links around the world," [European Commission](#), December 1, 2021

³⁵ "EU's Global Gateway 'another rubber check' from West," [Global Times](#), December 1, 2021

³⁶ "U.S.-EU: Joint Press Release by the EEAS and Department of State on the Second High-Level Meeting of the U.S.-EU Dialogue on China," [US Department of State](#), December 2, 2021

³⁷ "EU should not bet the future of itself and the world on misconception of US: China Daily editorial," [China Daily](#), December 2, 2021

³⁸ "China-EU annual summit 'pushed back until next year' as trade and human rights disputes fester," [South China Morning Post](#), December 16, 2021.

³⁹ Ibid.

⁴⁰ "Exclusive: Lithuania braces for China-led corporate boycott," [Reuters](#), December 9, 2021

⁴¹ "China not blocking Lithuanian goods, but firms consider cutting ties amid rising anger," [Global Times](#), December 27, 2021

Despite [announcements by the US, Australia, Britain and Canada](#), to diplomatically boycott Beijing Winter Olympics, EU leaders are yet to evolve a common approach on the issue.⁴²

Democracy White Paper

The State Council issued a white paper on country's political system titled "[China: Democracy That Works](#)".⁴³ Beijing claimed that over the past 100 years, the "Communist Party of China (CPC) has led people in realising People's democracy in China".⁴⁴ Its "whole-process people's democracy integrates, process-oriented democracy with results-oriented democracy, procedural democracy with substantive democracy, direct democracy with indirect democracy, and People's democracy with the will of the state", it added.⁴⁵ Without any reference to the US or the West, Xinhua report stressed that "democracy is the right of the people in every country, rather than being a prerogative of a few nations". "Assessing every political system by the same [western] yardstick is in itself undemocratic", Xinhua added.⁴⁶



Chinese President Xi Jinping addressed the annual Central Economic Work Conference held between December 8 to 10, 2021 in Beijing. [Source: Xinhua/Wang Ye](#)

⁴² "EU hesitates over possible Olympic boycott in China," [EU Observer](#), December 13, 2021

⁴³ "China Focus: China issues white paper on its democracy", [Xinhua](#), December 4, 2021.

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Ibid.

As Hong Kong held elections to its Legislative Council (LegCo) under a new electoral law, State Council issued a white paper titled “[Hong Kong: Democratic Progress](#) Under the Framework of One Country, Two Systems”.⁴⁷ Simultaneously, President Xi Jinping held in-person meeting with Chief Executive of the Hong Kong Special Administrative Region (HKSAR) [Carrie Lam](#) in Beijing.⁴⁸ Xi acknowledged HKSAR government’s resolute implementation of National Security Law, and active measures to integrate HKSAR’s overall integration into mainland.⁴⁹ Meanwhile, ‘Five Eyes’, the European Union (EU), and G7, voiced concern over “[erosion of democratic elements](#)” in LegCo election.⁵⁰

Trade and Economy

President Xi Jinping chaired the meeting of the Political Bureau of the Communist Party of China (CPC) to analyse the [economic policies](#) for 2022, and reviewed anti-corruption work, and regulations concerning Party discipline.⁵¹ CPC leadership emphasised the importance of safeguarding “macroeconomic stability”, “keeping major economic indicators within an appropriate range” while “maintaining social stability to prepare the Party for 20th National Congress” in 2022.⁵² Other major issues addressed included “expansion of domestic demand”, “restoration of consumption”, “microeconomic policies to stimulate vitality of market entities”, “protection of intellectual property rights”, “improving the competitiveness of manufacturing sector, enhancing supply chain resilience”, “healthy development of the real-estate sector”, and “continuing efforts to make breakthroughs in core technologies”.⁵³ Amid growing global uncertainty, Chinese President highlighted the need for self-sufficiency in [energy, food, and minerals](#).⁵⁴

Further, President Xi chaired the 23rd meeting of the Central Commission for deepening overall reform, as part of Beijing’s new development paradigm. He stressed the need to “[build a unified national market](#)” (developing socialist market economy), while enhancing the efficacy of “government’s regulatory

⁴⁷ “Full Text: Hong Kong: Democratic Progress Under the Framework of One Country, Two Systems”, [Qiushi Journal](#), December 12, 2021.

⁴⁸ “Xi meets with HKSAR chief executive”, [Qiushi Journal](#), December 23, 2021.

⁴⁹ Ibid.

⁵⁰ Chen Qingqing, “China condemns ‘Five Eyes’, EU, G7 smears on HK LegCo election, calling it staged political farce”, [Global Times](#), December 21, 2021.

⁵¹ “CPC leadership holds meeting on 2022 economic work, anti-corruption, party discipline inspection”, [Xinhua](#), December 6, 2021.

⁵² Ibid.

⁵³ Ibid.

⁵⁴ Orange Wang, “Xi Jinping says China must be ‘self-sufficient’ in energy, food and minerals amid global challenges”, [South China Morning Post](#) (SCMP), December 13, 2021.

oversight".⁵⁵ In line with this, Chinese Premier Li Keqiang attended a virtual dialogue with business leaders of the Global CEO Council urging them to further [expand their investments](#) in China.⁵⁶

Amidst signs of economic headwinds, Premier Li Keqiang reiterated Beijing's intent to beef up financial support for [micro, small, and medium enterprises](#) (MSMEs).⁵⁷ Answering Premier's call, People's Bank of China (PBOC) cut [reserve requirement ratio](#) for the second time in 2021.⁵⁸ Further to support growth, PBOC "released CNY 1.2 trillion (USD 188 billion) worth long-term liquidity into the Chinese interbank system".⁵⁹ As part of 14th Five Year Plan (2021-25), China plans to harness [one million innovative SMEs](#) and 10,000 "little giants" focusing on high-end technologies.⁶⁰

In another sign of country's economic slowdown and [rising youth unemployment](#), a record number of 2.1 million Chinese (first time the number has crossed 2 million) registered for National Civil Services Exam ('guokao') in 2021.⁶¹

Even as Chinese [manufacturing activity](#) expanded in November 2021⁶², South China Morning Post (SCMP) report highlighted [five major dilemmas](#) facing the country's economy. These include, zero Covid strategy and declining consumption, growing pressure on employment, power crisis, real-estate debt, and trade tensions with the US.⁶³ Importantly, several companies have [suspended operations](#) in 'Zhejiang' province, "one of China's biggest manufacturing hubs" owing to the outbreak of COVID-19.⁶⁴ Amidst this, Ministry of Industry and Information Technology (MIIT) released a plan on

⁵⁵ "Xi stresses building unified national market, enhancing government oversight", [Xinhua](#), December 18, 2021.

⁵⁶ "China welcomes companies from worldwide to further expand investment: Premier", [Xinhua](#), December 16, 2021.

⁵⁷ "China to beef up financial support for MSMEs with market-based measures", [Xinhua](#), December 15, 2021.

⁵⁸ Orange Wang, Ji Siqi and Amanda Lee, "China to cut reserve requirement ratio for second time this year to boost economic growth amid strong headwinds", [South China Morning Post](#), December 6, 2021.

⁵⁹ Ibid.

⁶⁰ "China to create 1 mln innovative SMEs by 2025", [Qiushi Journal](#), December 20, 2021.

⁶¹ Amanda Lee, "Record 2.1m Chinese sit civil service exam as economy slows, youth jobless rate climbs", [South China Morning Post](#), November 28, 2021.

⁶² Luna Sun, "Omicron impact on China manufacturing 'ambiguous' as November activity expands", [South China Morning Post](#), November 30, 2021.

⁶³ Amanda Lee, "From US trade tensions to Beijing's zero-Covid goal, 5 dilemmas facing China's economy", [South China Morning Post](#), November 29, 2021.

⁶⁴ "COVID-19 rattles major Chinese manufacturing province", [Reuters](#), December 14, 2021.

[integrating country's industrial sector](#) with information technologies [new emerging tech] in the 14th Five Year Plan (2021-25).⁶⁵

As part of Beijing's plans to [consolidate the rare-earths industry](#), state-owned 'China Northern Rare Earth (Group) High-Tech' has formed a strategic partnership with Hong Kong-based 'China Rare Earth Holdings'.⁶⁶ China produces 60 percent of world's rare-earth metals, an essential ingredient for consumer and military technology".⁶⁷ The move is to "bolster rare-earths supply chain, which could be used to pressure US and other nations".⁶⁸ Further, Aluminium Corporation of China, China Minmetals Corporation, Ganzhou Rare Earth Group Co. and two research firms - China Iron and Steel Research Institute Group and Grinm Group Corporation Ltd established [China Rare Earth Group Co., Ltd](#) in East China's Jiangxi Province.⁶⁹ The group will focus on research, exploration, smelting and deep processing of rare earths.⁷⁰

Defence and Security

China submitted its position paper to the United Nations on regulating [military applications of Artificial Intelligence](#) (AI).⁷¹ Among other things, the position paper asserts that "AI technology has brought great opportunities as well as unforeseeable security challenges in aspects such as strategic security, rules on governance and ethics".⁷² Importantly, Beijing expressed concerns over weaponization of AI.⁷³ It called on the international community to "seek consensus on regulating military applications of AI through dialogue and cooperation, and establish an effective governance regime to prevent serious harm or potential disasters caused by the military applications of AI".⁷⁴

Amidst growing technology competition with the US, China issued its first [white paper on "export control"](#) pleading more engagement toward shaping "fair, reasonable and non-discriminatory" global export controls.⁷⁵ The paper

⁶⁵ "China aims high in informatization, industrialization integration in 2021-2025", [Xinhua](#), December 2, 2021.

⁶⁶ Shunsuke Tabeta, "2 Chinese rare-earth giants join forces as Beijing calls shots", [Nikkei Asia](#), December 22, 2021.

⁶⁷ Ibid.

⁶⁸ Ibid.

⁶⁹ "China Rare Earth Group founded in Jiangxi", [Xinhua](#), December 23, 2021.

⁷⁰ Ibid.

⁷¹ "China submits position paper on regulating military applications of AI", [Chinese Ministry of National Defence](#), December 14, 2021.

⁷² Ibid.

⁷³ Ibid.

⁷⁴ Ibid.

⁷⁵ Orange Wang and Jack Lau, "China hits back at 'double standards' amid US tech war, Washington's nuclear weapon concerns", [South China Morning Post](#), December 29, 2021.

argues that “no country or region should gratuitously impose discriminatory restrictions, or apply double standards with regards to preventing the wider spread of nuclear weapons”.⁷⁶ Chinese observers noted that “China has a comprehensive industrial supply chain for technologies that have both civilian and military applications including drones, missiles, and artificial intelligence (AI); there could be a lot of trouble if these technologies leave the country”.⁷⁷

China reacted sharply to Pentagon’s 2021 [Global Posture Review](#) (GPR), with ⁷⁸ People’s Daily describing it as full of “Cold War mentality”, “embodiment of US’ age-old hegemonic mindset” and a result of Washington’s “habit of maintaining hegemony with military means”.⁷⁹ Adding that it is America’s giant war machine [military-industrial complex] that threatens global security.⁸⁰ It also claimed that “US military-industrial complex sees [war as shortcut to profits](#)”.⁸¹

US-China tensions over Taiwan continue. Reacting to the US Congress passing 2022 [National Defense Authorization Act](#) (NDAA) with record budgetary allocation of USD 770 billion, Global Times claimed that “mainland should prepare for the worst and develop appropriate strategy and tactics concerning Taiwan”.⁸² Importantly, Global Times brought attention to the US Congress allocating USD 7.1 billion for ‘Pacific Deterrence Initiative’, calling it a statement of support for the defence of Taiwan.⁸³ Chinese analysts believe “President Biden will invite Taiwan to the US-led Rim of the Pacific exercise (RIMPAC) scheduled to be held in 2022”.⁸⁴

Amidst growing cross-strait tensions, CPC Political Bureau member Wang Yang revealed reasons behind Beijing’s confidence in [resolving the Taiwan question](#).⁸⁵ Wang claimed that “Chinese people warmly support the idea; we are ready for peaceful reunification, but will never leave any room for Taiwan independence or separatist activists”, Wang added.⁸⁶ Earlier, Chinese Embassy

⁷⁶ Ibid.

⁷⁷ Ibid.

⁷⁸ America’s giant war machine threatens global security, [People’s Daily Editorial](#), December 21, 2021.

⁷⁹ Ibid.

⁸⁰ Ibid.

⁸¹ “U.S. military-industrial complex sees war as shortcut to profits”, [People’s Daily Editorial](#), December 22, 2021.

⁸² Zhang Han, “US Senate passes massive war budget, escalates provocations over Taiwan question”, [Global Times](#), December 16, 2021.

⁸³ Ibid.

⁸⁴ Ibid.

⁸⁵ “Where does China’s full confidence in resolving Taiwan question come from?”, [Global Times](#), December 12, 2021.

⁸⁶ Ibid.

in Paris had opposed French National Assembly's resolution supporting [Taiwan's participation in international organisations](#).⁸⁷



Chinese Aircraft Carrier Liaoning. File Photo Source: [People's Daily](#)

Meanwhile, China continued its aggressive posturing in South China Sea (SCS), Taiwan straits, and Western Pacific. PLA Navy's Aircraft Carrier '[Liaoning](#)' held [drills in Western Pacific](#) in waters east of Japan's Okinawa.⁸⁸ Chinese observers noted "West Pacific as a potentially important battlefield in case foreign forces like the US and Japan interfered in any Taiwan contingency. Chinese Aircraft carriers could place themselves in Western Pacific to fend off foreign forces, while surrounding Taiwan from the east".⁸⁹ Simultaneously, China's Aircraft Carrier '[Shandong](#)' conducted combat exercises in South China Sea.⁹⁰ Chinese analysts observed that "it is only a matter of time before Liaoning and Shandong form a powerful carrier group that can cover an even wider range of sea and air regions".⁹¹ At the same time, PLA Navy's type 055 destroyer held [anti-submarine drills](#) in an undisclosed area in the Yellow Sea⁹²; while, PLA's

⁸⁷ "Chinese embassy firmly opposes resolution of French National Assembly on Taiwan", [Xinhua](#), December 1, 2021.

⁸⁸ Liu Xuanzun, "Liaoning aircraft carrier group holds drills in 'strategically important' West Pacific", [Global Times](#), December 21, 2021.

⁸⁹ Ibid.

⁹⁰ Liu Xuanzun, "China's 2nd aircraft carrier conducts exercises in South China Sea", [Global Times](#), December 19, 2021.

⁹¹ Ibid.

⁹² Liu Xuanzun, "China's Type 055 destroyer holds anti-submarine drills amid US threats", [Global Times](#), December 6, 2021.

new type [bomber H-6J practiced dropping bombs](#) and mine-laying in South China Sea.⁹³

State media refuted reports about China planning to set up a military base on Africa's Atlantic coast in '[Equatorial Guinea](#)'.⁹⁴ Chinese experts claimed that Washington was once again "hyping China threat"; "China has only one overseas support base in Djibouti and if Beijing were to build its second overseas base, it will release information openly and in advance".⁹⁵

Technology

Amidst Beijing's big-tech crackdown and cybersecurity review, Chinese ride-hailing giant 'Didi Chuxing' has commenced the process of delisting from New York Stock Exchange (NYSE).⁹⁶

Dealing a blow to China's plans of expanding its semiconductor production capability, United States has blocked Chinese funded USD 1.4 billion takeover of [South Korean chipmaker 'Magnachip'](#).⁹⁷ Meanwhile, US and Taiwan have agreed to set up a Technology, Trade and Investment Collaboration (TTIC) framework to strengthen [critical supply chains](#) especially for semiconductors.⁹⁸ Even as the United States is deploying several means to stop China's technology march, Harvard Kennedy School report predicted that "China could [overtake US in core technologies](#) including AI, 5G, quantum computing, semiconductors, biotechnology, and green energy in the next decade".⁹⁹

In terms of [5G telecommunications network](#), China has thus far established 1.3 million base stations, while the number of 5G users in the country has reached 497 million.¹⁰⁰

⁹³ Liu Xuanzun, "PLA's new-type bomber practices island bombing, mine-laying in S.China Sea", [Global Times](#), December 5, 2021.

⁹⁴ Guo Yuandan, "WSJ report on China's military base on Africa's Atlantic coast 'not true,' says Chinese military expert", [Global Times](#), December 6, 2021.

⁹⁵ Ibid.

⁹⁶ Coco Feng, Che Pan, and Peggy Sito, "Didi starts to delist from New York and aims for Hong Kong amid Beijing scrutiny", [South China Morning Post](#), December 3, 2021.

⁹⁷ Che Pan, "US-China tech war: Washington blocks Chinese fund's US\$1.4 billion takeover of South Korean chip maker", [South China Morning Post](#), December 14, 2021.

⁹⁸ "U.S., Taiwan discuss semiconductor chips, agree to cooperate under new framework", [CNBC](#), December 6, 2021.

⁹⁹ Che Pan, "US-China tech war: China to overtake America in core 21st century technologies within next decade, Harvard report predicts", [South China Morning Post](#), December 9, 2021.

¹⁰⁰ China boasts over 1.3 mln 5G base stations: MIIT, [Xinhua](#), December 20, 2021.



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