

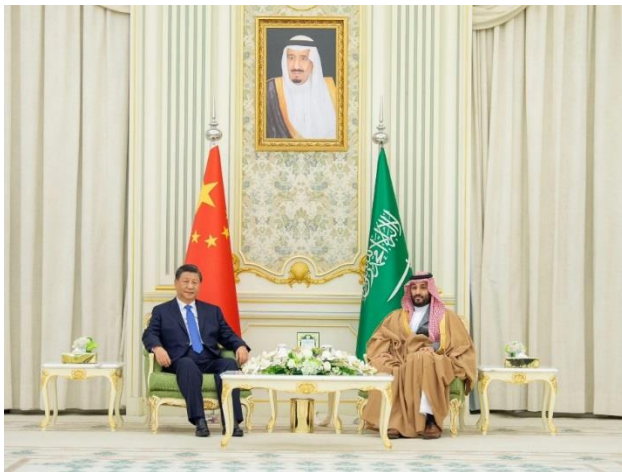


Delhi Policy Group

Advancing India's Rise as a Leading Power



DPG China Monitor December 2022



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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:

India's Defence Minister Rajnath Singh inaugurates infrastructure projects during an event in Arunachal Pradesh, January 3, 2022. Source: Twitter/@rajnathsingh

Chinese and Russian navies concluded the seven-day joint naval exercise in the East China Sea on December 27, 2022.

Source: Ministry of National Defence of the People's Republic of China

Chinese President Xi Jinping meets Saudi Arabia's Crown Prince and Prime Minister, Mohammed bin Salman in Riyadh, December 9, 2022. Source: Twitter/@Spa_Eng

Covid-19 chaos in Chinese hospitals as the country relaxes its stringent zero-covid policy. Source: Caixin Global

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Abstract

Border tensions flared up in the Tawang Sector in Arunachal Pradesh on December 9, following an attempted Chinese intrusion in the Yangtse area. This was the first reported incident of escalation post the Galwan clash in 2020. India's Defence Minister Rajnath Singh stated that the PLA troops had tried to "transgress the LAC to unilaterally change the status quo". On the other hand, Beijing claimed that the PLA during a "routine patrol encountered obstruction from the Indian troops who illegally crossed the LAC".

Chinese Foreign Minister Wang Yi, while addressing a symposium on China's Foreign Relations, reiterated intent "to work with India in the direction toward steady and sound growth of China-India relations".

Wang Yi has been appointed as the Director of the Office of the Foreign Affairs Commission of the CPC Central Committee. Qin Gang, presently the Chinese Ambassador to the United States (US), will succeed Wang Yi as China's new Foreign Minister.

The 17th round of India-China Corps Commander Level Meeting was held on December 20, in the shadow of the skirmish in Tawang. The two sides exchanged views on the resolution of the remaining issues along the LAC in the Western Sector of Ladakh in an open and constructive manner.

Meanwhile, India successfully tested the nuclear-capable ballistic missile Agni V, capable of hitting targets beyond 5,000 kilometers. Concerned with China's build-up and intrusions, development of infrastructure has been prioritised by India in Arunachal Pradesh, including a 2,000-km-long Arunachal Frontier Highway (which has been objected to by China in the past).

Following China and Pakistan's decision to extend CPEC to Afghanistan, Pakistan's Prime Minister Shehbaz Sharif invited Turkey to join it too at the behest of China. China considers Turkey's involvement as significant given its geostrategic position at the intersection of Europe and Asia, giving CPEC an image of an international project, weakening India's objections.

As a more pro-China government took office in Nepal, China stepped up efforts to revive the Trans-Himalayan Railway Project creating an alternate route for trade and transportation, other than India. Nepal's new Prime Minister Pushpa Kamal Dahal ("Prachanda") inaugurated a regional international airport at Pokhara, built with Chinese assistance.

The US continued deepening its security cooperation with Taiwan, promising billions of dollars in aid over the coming years. The PLA retaliated by holding cross-service “joint combat-readiness security patrol” and “joint firepower striking exercise” in the waters and airspace around Taiwan. Further, China strongly criticised the Pentagon’s 2022 Report on Military and Security developments claiming it to be part of the US’s “cold war mentality”, “old trick of hyping up the so-called China military threat”, and “interference in Taiwan question”.

As the tensions over Taiwan continue to mount, in a bid to boost China-Russia defence cooperation, the two countries held weeklong naval drills in the East China Sea. In another development, highlighting China’s growing engagement with the Middle East and the Arab world, President Xi Jinping attended ‘China-Arab States Summit’ and ‘China-Gulf Cooperation Council (GCC) Summit in Saudi Arabia, on December 9.

Responding to strategic challenges posed by China, Russia, and DPRK, Japan revised its “National Security Strategy”, “National Defence Strategy”, and “Defence Force Preparedness Plan” marking a transformational shift in Tokyo’s “defence only” military posture maintained since the end of WWII. Criticising Japan, the Global Times asserted that Tokyo is “fracturing the security pattern in East Asia”, advising it to “take it easy”.

Owing to nationwide protests against stringent zero-covid policy, China adopted new anti-covid measures easing the burden of lockdowns, lengthy quarantines, and regular mass testing. State media highlighted country’s 10 new measures against Covid-19, which effectively abolished the zero-covid policy, as “adherence to the original intention and logic of epidemic prevention and control”. Notwithstanding, the reality is that China’s hospitals are witnessing a giant wave of Covid-19 infections and a shortage of medicines as well as health workers. Morgues are being overwhelmed as the death toll largely among the elderly is soaring.

The Political Bureau of the CPC Central Committee convened the “Central Economic Work Conference” to analyse China’s economic policies for 2023. The meeting called for “proactive fiscal and prudent monetary policy ensuring economic stability with steady progress”. As part of its long-term development goals extending to 2035, China issued guidelines to “boost domestic demand”.

Amidst growing global economic uncertainties, the World Bank forecast China’s GDP growth to slow down to 2.7 percent in 2022, and to grow by 4.3 percent in 2023.

Foreign and Security Policy

I. China-India Relations

Border tensions between India and China flared up in the Tawang Sector of Arunachal Pradesh on December 9, following attempted Chinese intrusion in the Yangtse area. This is the first reported incident of escalation post the Galwan clashes in 2020, materialising the statement by the Indian Army Chief of a 'stable but unpredictable' border.¹ The two countries forwarded differing accounts of the incident. India's Defence Minister Rajnath Singh stated that the People's Liberation Army (PLA) troops tried to "transgress the LAC in Yangtse area of Tawang sector to unilaterally change the status quo".² Conversely, the spokesman from the People's Liberation Army's (PLA's) Western Theatre, Senior Colonel Long Shaohua alleged that the PLA troops during a "routine patrol encountered obstruction from the Indian troops who illegally crossed the LAC".³

Meanwhile, Wang Yi, China's Foreign Minister, at a Symposium on the International Situation and China's Foreign Relations remarked about China's intention "to work with India in the direction toward steady and sound growth of China-India relations".⁴ Similarly, China's new Foreign Minister Qin Gang in an Op-ed article in US magazine national interest, referring to the perception that India-China ties were "poised" to break the status quo, highlighted the existing status quo on the borders, "as both sides willing to ease the situation and jointly protect peace along their borders". This was an obvious attempt to underplay border tensions.⁵

Following the skirmishes in Tawang Sector, the 17th round of India- China Corps Commander Level Meeting was held on 20th December 2022, wherein, the two sides exchanged views on the resolution of the remaining issues along the LAC in the Western Sector in Ladakh in an open and constructive manner. The discussion stressed on a resolution of the remaining issues at the earliest

¹ "Situation is stable but unpredictable," says Indian Army Chief General Manoj Pande on situation in eastern Ladakh, ANI Twitter, November 12, 2022

² "China tried to change status quo in Arunachal, Rajnath Singh says in Parliament", The Tribune, December 13, 2022

³ "PLA spokesperson makes remarks on Chinese border troops' routine patrol in Dongzhang area", Ministry of National Defence PRC, December 13, 2022

⁴ "Maintain a Global Vision, Forge Ahead with Greater Resolve and Write a New Chapter in Major-Country Diplomacy with Chinese Characteristics", Ministry of Foreign Affairs of the People's Republic of China, December 25, 2022

⁵ "How China Sees the World – Chinese Ambassador to the US Qin Gang Publishes an Article on The National Interest," MFA, China, December 26, 2022

for restoring peace and tranquillity along the LAC, for progress in bilateral relations.⁶

In the backdrop of the escalating border tensions, China is expanding its chain of model villages or Xiaokang (moderately prosperous) villages close to the Line of Actual Control (LAC), opposite Uttarakhand, Sikkim and Arunachal Pradesh (essentially middle and eastern sector) in the proximity of strategically important Siliguri corridor.⁷ This is in addition to continuing infrastructure development and additional deployments along the LAC. Reports claim, China has set up a ropeway near the India-Bhutan-China tri-junction (Doklam) and is strengthening roads and other infrastructure along the entire eastern sector.⁸



India's Defence Minister Rajnath Singh inaugurates infrastructure projects during an event in Arunachal Pradesh, January 3, 2022. Source: [Twitter/@rajnathsingh](https://twitter.com/rajnathsingh)

Following scuffle in Tawang, Indian Defence Minister Rajnath Singh inaugurated projects worth INR 724 Crore in [Arunachal Pradesh](#) that focus on connectivity and security. The projects comprise 22 bridges, three roads and three other projects. Eight of these projects are in Ladakh, five in Arunachal

⁶ "17th Round Of India-China Corps Commander Level Meeting," [Ministry of Defence](#), December 22, 2022

⁷ "China is expanding model villages in strategic areas: sources," [The Hindu](#), December 17, 2022

⁸ "China builds ropeway, roads near tri-junction," [The Hindu](#), December 15, 2022

Pradesh, four in Jammu and Kashmir, three each in Sikkim, Punjab and Uttarakhand and two in Rajasthan. Defence Minister, Rajnath Singh also inaugurated the strategic Siyom bridge which is crucial for Indian troops to reach the LAC in the central sector of Arunachal Pradesh. In an oblique reference to China, Mr. Singh said "our troops are capable of facing any challenges along the borders".⁹

Amidst escalation along the India-China border, India successfully tested the nuclear-capable ballistic missile Agni V, capable of hitting targets beyond 5,000 kilometres on December 15.¹⁰ In addition, the Ministry of Defence has approved the acquisition of 120 Parlay quasi-ballistic surface-to-surface missiles and their subsequent deployment along the borders with Pakistan and China.¹¹ It is for the first time, India is deploying ballistic missiles for tactical operations.

II. China-South Asia Relations

Pakistan ranked the highest amongst 82 countries most influenced by China, revealed a study titled the China Index by a Taiwan-based research organization.¹² Amidst growing alignment between China and Pakistan, the China Military Power Report 2022 stated Beijing's assessment of this partnership as its only "all-weather strategic partner"¹³. The report revealed the critical role played by Islamabad, 'as a key Beijing ally', in projecting China's economic and military potency. These views were echoed by Pakistan's Foreign Minister Mr Bhutto Zardari's remarks in an interview with CNA characterising bilateral relationship as "very comprehensive".¹⁴

China under the flagship China-Pakistan Economic Corridor (CPEC) project, approved a soft loan of \$1.8 billion for the realignment of Karakorum Highway from Thakot to Raikot. Disbursement, however, awaits the approval from Pakistan's Planning Commission. In a press conference, the spokesperson of Chinese foreign ministry, Zhao Lijian revealed that "the Karot hydropower

⁹ "Boost to border infra: Rajnath Singh inaugurates crucial bridge to LAC in Arunachal Pradesh, 27 other projects," The Times of India, January 4, 2022

¹⁰ "Amid border tensions with China, India successfully tests Agni V missile", Hindustan Times, December 15, 2022

¹¹ "India To Deploy Tactical Ballistic Missiles Near China, Pakistan Border; Experts Say Comparable To Russian Iskander", The Eurasian Times, December 26, 2022

¹² "Pakistan most influenced by China among 82 countries, says study – Who else is on the list?" Financial Express, December 12, 2022

¹³ "Beijing relies on Pakistan to project its might, Pentagon report notes", DAWN, December 1, 2022

¹⁴ "We're tired of conflict': Pakistan treads carefully on Ukraine war; hails relationship with China, CNA, December 13, 2022

plant, the first large-scale hydropower investment project under CPEC, and the Phase II of Thar Block II power station have gone into commercial operation".¹⁵

Post Prime Minister Shehbaz Sharif's visit to China last month, Beijing has offered a bailout package of USD 9 billion, amidst Islamabad's economic distress¹⁶. This was followed by Pakistan's reluctant approval to allow China to open a revolving back account, after eight years to conform with the original CPEC agreement in 2014.¹⁷

Following China and Pakistan agreement to extend the CPEC to Afghanistan despite India's objections, Pakistan's PM Shahbaz Sharif, offered Turkey to join CPEC at the behest of China. China considers Turkey's involvement significant, given its geostrategic position at the intersection of Europe and Asia. Moreover, Turkey's association with CPEC would give it a veneer of an international project, weakening India's objections.¹⁸

On December 12, a hotel popular amongst Chinese businesspeople and diplomats was attacked in Kabul by ISIS-K, a regional affiliate of the Islamic State Group.¹⁹ This came a day after concerns regarding the security of China's embassy in Kabul were raised by Chinese Ambassador Wang Yu with Afghan Deputy Foreign Minister Sher Mohammad Abbas Stanekzai.²⁰ The attack, aggravated concerns in Beijing regarding ISIS-K growing clout in Badakhshan province, which shares a 70km long border with China. ISIS-K influence poses the potential to destabilise the sensitive Afghan-China border and disrupt Beijing's BRI plans in Afghanistan.

As a pro-China government takes over in Nepal, China is taking steps to revive Trans-Himalayan Railway Project creating an alternate route for trade and transportation, other than India. China is keen on extending the railway from

¹⁵ "Foreign Ministry Spokesperson Zhao Lijian's Regular Press Conference", Ministry of Foreign Affairs of the People's Republic of China, December 1, 2022

¹⁶ "China offers bailout package to Pakistan, refuses to defer loan payments of Sri Lanka", ANI News, December 22, 2022

¹⁷ "Pak concedes to China's demand for opening revolving bank account, move to upset IMF", India Today, December 7, 2022

¹⁸ "China-Pak joint strategy to involve Turkey in the CPEC: Effort to change the status quo," The Times of India, December 7, 2022

¹⁹ "ISIS-K attack in Kabul compounds China's insurgency headaches", NIKKIE Asia, December 18, 2022

²⁰ "Analysis: A String Of ISIS-K Attacks In Afghanistan Puts China's Ambitions In A Fix", Outlook India, December 19, 2022

Kathmandu to Pokhara and Lumbini, on the Indian border. A Chinese team visited Nepal to carry out a feasibility study of the cross-border railway line.²¹

In another development, Prime Minister Pushpa Kamal Dahal 'Prachanda', on January 1, inaugurated a regional international airport at Pokhara, built with Chinese assistance. After Nepal and China signed the framework agreement on BRI in 2017, Nepal has selected 35 projects to be undertaken under Chinese President Xi Jinping's flagship connectivity scheme.²²

In yet another attempt to deepen its strategic presence in India's neighbourhood, a Chinese company has offered to build and operate a high-speed train on Bangladesh's prime Dhaka-Chattogram corridor with an investment of over US\$ 11 billion.²³ The Chinese proposal has been received despite a feasibility study by Bangladesh Railways suspending such a move. Meanwhile, a Chinese-funded underwater traffic tunnel in Bangladesh is set to open in January 2023.²⁴

Beijing's continual involvement in white elephant projects like Hambantota, Lotus Tower, Colombo Port City and a long list of expressways across the country has been underlined as one of the important factors leading to Sri Lanka's continuing economic crisis.²⁵ While it has drawn ire and evoked concerns among the people, the political elite too have now started voicing dissent against China's over-involvement in the country. Three-party Tamil National Alliance (TNA) MP, Shanakiyan Rasamanickam has threatened a 'Go home, China' protest on the lines of the successful 'GotaGoHome' mass struggle that forced then-president Gotabaya Rajapaksa to flee the country and then quit office.²⁶

III. China-United States Relations

The two countries remain embroiled in a 'chip war', unleashed by the restrictions imposed in October by the US on the export of advanced semiconductors and chip-making equipment to China. Exacerbating the situation for Beijing, initial reports suggest that Japan and Netherlands too

²¹ "China trying to extend Nepal rail project to India border, Sunday Guardian, December 31

²² China trying to extend Nepal rail project to India border, Sunday Guardian, December 31, 2022.

²³ "China offers \$11b JV project," The Financial Express, December 25, 2022

²⁴ "Bangladesh set to open first under-river tunnel project built with Chinese funding and contractors," South China Morning Post, November 29, 2022

²⁵ "Sri Lanka: How Chinese 'interference in internal affairs' provoked Tamil MP's ire," Firstpost, December 31, 2022

²⁶ Ibid.

have agreed in principle for tightening export controls for advanced chipmaking machinery to China.²⁷ The adverse impact of the export control is already visible as China's import of chip-making equipment fell by 40 percent from the previous year. Post the US controls, imports by other leading partners like South Korea, Japan and Netherlands also witnessed a dramatic decline.²⁸

Amidst this ongoing wrangle, President Biden signed the National Défense Authorization Act for the fiscal year 2023 setting the US defence budget to a record high of \$817 billion, 10 percent more than last year's budget.²⁹ The ratified bill sets aside \$11.5 billion for US defence and deterrence in the Indo-Pacific while authorizing \$10 billion in security assistance and fast-tracked weapons procurement for Taiwan.³⁰ China's Foreign Ministry spokesperson retaliated by stating that the act hypes up the "China threat" narrative, blatantly interferes in China's internal affairs, and attacks and discredits the Communist Party of China (CPC)", further stating that third-party interference in the Taiwan Strait "will not be tolerated".³¹

A day later, 47 PLA aircraft's entered Taiwan's southwest air defence identification zone, China's 'largest military manoeuvres near Taiwan' since the Taiwan Straits Crisis in August.³² The exercises were officially announced by the Ministry of National Defence of PRC as a "firm response to the current escalation of provocations by the US".³³ Wang Yi, China's Foreign Minister, further stated that US provocations have plunged US-China relations into "serious difficulty".

Amidst growing tensions over Beijing's provocative actions in the South China Sea, Chinese Navy simulated an attack on an American Naval task group on December 21, the same day that a Chinese J-11 fighter jet intercepted a US Air

²⁷ "Japan to Join US Effort to Tighten Chip Exports to China", Bloomberg, December 12, 2022

²⁸ "China's Chip Equipment Imports Plunge in November as U.S. Export Controls Bite", The Washington Post, December 22, 2022

²⁹ "Biden signs \$858bn defense bill including funds for Taiwan, allies", NIKKIE Asia, December 24, 2022

³⁰ "China pans US bill that boosts Taiwan", Taipei Times, December 25, 2022

³¹ "Foreign Ministry Spokesperson's Remarks on the US's Signing into Law the National Defense Authorization Act for Fiscal Year 2023", Ministry of National Defence of People's Republic of China, December 24, 2022

³² "71 PLA aircraft and 7 PLAN vessels around Taiwan", Twitter Ministry of National Defence ROC, December 26, 2022

³³ "PLA conducts joint combat-readiness security patrol and joint firepower striking exercise around Taiwan Island", Ministry of National Defence of People's Republic of China, December 25, 2022

Force RC-135 surveillance aircraft, in what the Pentagon termed an “unsafe manoeuvre”.³⁴

Two weeks following the incident, Secretary of State Antony Blinken spoke with incoming Chinese Foreign Minister Qin Gang and discussed the current state of the bilateral relationship along with the prospects of maintaining open lines of communication.³⁵

IV. China- Russia Relations

Since the beginning of this year, despite the disruption caused by the Russia-Ukraine war, the bilateral trade between Russia and China has surged by 32% year-on-year to a record-high \$172.4 billion.³⁶

Taking forward the proclamation of a ‘limitless friendship’, Russia has deployed warships of its Pacific Fleet from Vladivostok to participate in Russia-Chinese Sea Cooperation 2022 naval exercises in the East China Sea from December 21-27, 2022.³⁷ The statement released by the Russian Defence Ministry stated “the main goal of the exercise is to strengthen naval cooperation between the Russian Federation and the People’s Republic of China and maintain peace and stability in the Asia-Pacific region”.³⁸

Concurrently, Xi Jinping hosted Dmitry Medvedev, the deputy head of the Russian Security Council in Beijing on December 21, 2022.³⁹ According to the statement released by Medvedev, the two discussed strategic partnership shared by their countries and areas of bilateral cooperation- trade, energy, and agriculture.⁴⁰ Xinhua reported Xi Jinping’s willingness to play the role of a mediator to promote ‘more profound and actual progress of peace talks’ in the Ukraine War⁴¹.

³⁴ “Chinese Navy simulates attack on US Navy warships in South China Sea,” The Print, December 22, 2022

³⁵ “Blinken discusses U.S.-China ties in call with new foreign minister Qin”, Reuters, December 28, 2022

³⁶ “Russia-China trade up 32%, to \$172.4 billion, in January-November 2022”, TASS, December 7, 2022

³⁷ “Russia, China to Hold Joint Naval Drills as Moscow and Belarus Vow to Cement Ties”, The Wall Street Journal, December 19, 2022

³⁸ “Detachment of Pacific Fleet warships puts to sea to participate in joint Russian-Chinese Sea Cooperation 2022 naval exercises”, Telegram MOD Russia, December 19, 2022

³⁹ “Ex-Russian President Medvedev meets Chinese leader Xi for talks on ties, Ukraine war”, Anadolu Agency, December 21, 2022

⁴⁰ “China-Russia relations: Xi Jinping says Beijing is willing to mediate with Moscow to end Ukraine war”, South China Morning Post, December 21, 2022

⁴¹ “Xi meets United Russia party chairman Medvedev”, Xinhua, December 21, 2022

The Russian Space Agency (RosCosmos) and the China National Space Administration (CNSA) signed a cooperation programme, to last until 2027. The agreement is intended to cooperate in the creation of the International Lunar Research Station (ISIL). Contracts were signed in September to build three Russian stations in the Chinese cities of Changchun, Urumqi and Shanghai, and three Chinese stations in the Russian cities of Obninsk, Irkutsk and Petropavlovsk-Kamchatsky.⁴² According to a report published by CSIS, the discussion about space cooperation is more rhetorical than reality as “Russian space budgets have been declining for years; the war in Ukraine will further undermine Russia’s budget and technical means even further; and China and Russia have persisting mistrust that tends to slow down any real, integrated technical cooperation”.⁴³



Chinese and Russian navies concluded the seven-day joint naval exercise in the East China Sea on December 27, 2022

Source: Ministry of National Defence of the People's Republic of China

China’s Ambassador to Russia, Zhang Hanhui expressed China’s willingness “to the development of bilateral relations in the interests of development and for the sake of the security and stability of the region” during the Collective

⁴² “Exclusive: China, Russia to sign new 5-year space cooperation program, build intl lunar station by 2035: Roscosmos,” Global Times, December 29, 2022

⁴³ “Understanding the Broader Transatlantic Security Implications of Greater Sino-Russian Military Alignment,” CSIS, December 8, 2022

Security Treaty Organization (CSTO) Parliamentary Assembly meeting in December.⁴⁴

V. China- European Union Relations

The President of the European Council Charles Michel met with President Xi Jinping in Beijing on December 1, 2022.⁴⁵ During the talk, the two President's discussed the future of bilateral relations and outcomes of the 20th CPC National Party Congress. President Xi highlighted four key observations regarding China-EU relations - no fundamental divergences between the two, communication and coordination are the tools to effectively manage strategic differences, high-level cooperation is required in areas of the digital economy, supply chain resilience, artificial intelligence, etc. and strengthen coordination and cooperation in international affairs.

Despite the talks, the bilateral relations between the two have witnessed worsening over the past few years with divergent views on market access, human rights violations and retribution measures on Russian actions in Ukraine. This is exhibited by the EU's appeal to set up two WTO panels to adjudicate its trade disputes with China regarding the legality of the trade restrictions imposed by China on Lithuanian exports and restrictions by China on EU high-tech patents from accessing EU courts to effectively protect and enforce their rights.⁴⁶

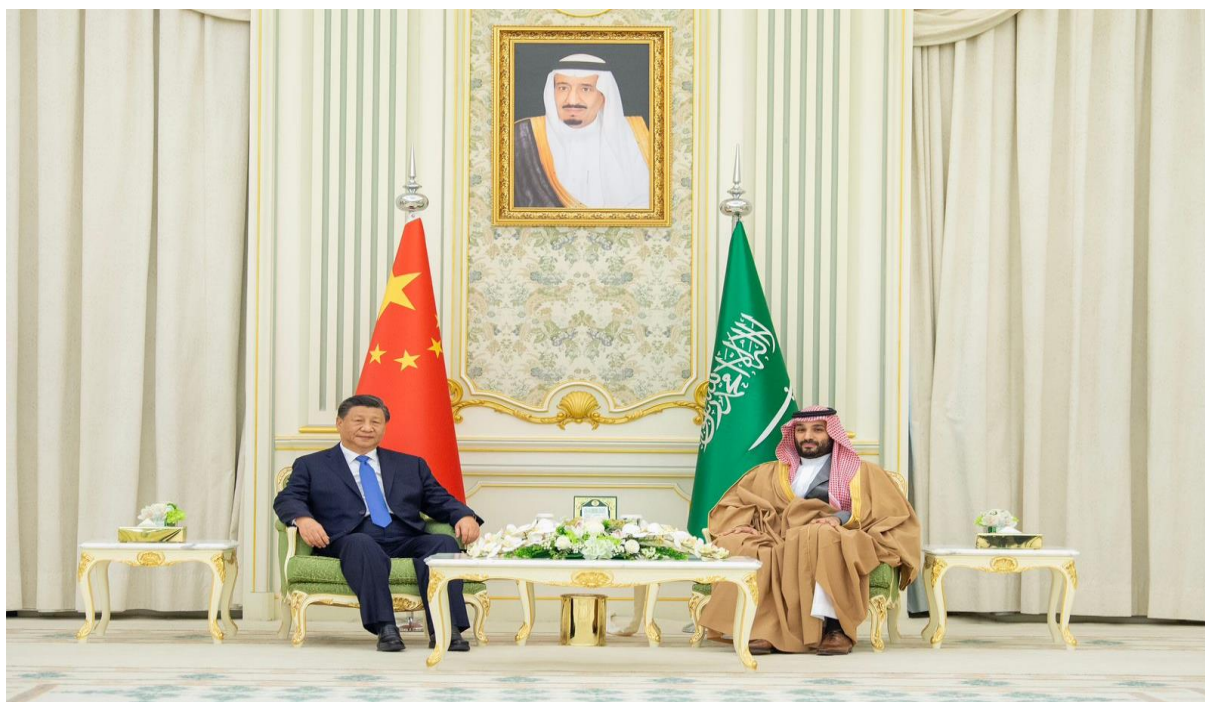
Subsequently, the EU imposed a tariff on items with high carbon footprints such as steel, cement and aluminium. Explaining the move, Pascal Canfin, the head of the environment committee of the European Parliament stated that it will "create an economic interest and rationale for a steelmaker in Turkey or in China to invest in green technologies".⁴⁷ The move could adversely impact China, with the highest carbon emissions, setting back its developmental goals.

⁴⁴ China interested in teaming up with CSTO countries – parliament speaker, TASS, December 5, 2022

⁴⁵ "President Xi Jinping Holds Talks with European Council President Charles Michel", Ministry of Foreign Affairs of People's Republic of China, December 1, 2022

⁴⁶ "EU requests two WTO panels against China: trade restrictions on Lithuania and high-tech patents", European Commission, December 7, 2022

⁴⁷ E.U. seeks to pressure China on climate by taxing steel and cement, The Washington Post, December 13, 2022



Chinese President Xi Jinping meets Saudi Arabia's Crown Prince and Prime Minister, Mohammed bin Salman in Riyadh, December 9, 2022. Source: [Twitter/@Spa_Eng](https://twitter.com/Spa_Eng)

VI. President Xi's Visit to Saudi Arabia

Highlighting China's growing engagement with the Middle East and the Arab world, President Xi Jinping attended 'China-Arab States Summit' and 'China-Gulf Cooperation Council (GCC) Summit' in Riyadh, on December 9.⁴⁸ As a prelude to the conference, China released a "Report on Sino-Arab Cooperation in a New Era".⁴⁹ Xinhua asserted that the two summits have taken China-Arab and China-GCC relations to "new heights" by "strengthening mutually beneficial cooperation", "promoting common security and development", and "advancing dialogue among civilisations".⁵⁰

China and Saudi Arabia are aligned on several major policy issues, including the digital economy, space research, infrastructure, Iran's nuclear program, Yemen war, and the Ukraine conflict.⁵¹ To further internationalise the Chinese

⁴⁸ "China-Arab summit opens up new prospects for building community with shared future", [Xinhua](#), December 10, 2022.

⁴⁹ "China looks to strengthen Arab ties as US pivots from the Middle East", [South China Morning Post](#), December 3, 2022.

⁵⁰ "China-Arab summit opens up new prospects for building community with shared future", [Xinhua](#), December 10, 2022

⁵¹ "5 key takeaways from Xi's trip to Saudi Arabia", [CNN](#), December 14, 2022.

Yuan, President Xi emphasised the use of Yuan as standard currency for importing oil and gas from the Gulf.⁵²

Internal Developments

Key Addresses by Chinese Leaders

President Xi Jinping, on behalf of the Communist Party of China (CPC), paid rich tributes to the late Chinese President Jiang Zemin at the state funeral held in Beijing on December 6.⁵³ Pointing to the turbulent period between late 1980s and early 1990s, President Xi praised Jiang Zemin for “standing up to Western pressure” and “resolutely defending China’s independence, dignity, security and stability”, “leading economic reforms and opening up”, “fending off Taiwan separatists”, and “ensuring a smooth handover of Hong Kong and Macau to China”.⁵⁴ Continuing Beijing’s emphasis on reform and opening up Xi reiterated that “China and the world, both, need each other for growth and development”.⁵⁵

Chinese Premier Li Keqiang hosted executives of the World Bank (David Malpass), the International Monetary Fund (Kristalina Georgieva), the World Trade Organization (Ngozi Okonjo-Iweala), Organization for Economic Cooperation and Development (Mathias Cormann), Financial Stability Board (Klaas Knot), and International Labor Organization (Changhee Lee) for the seventh “1+6 roundtable” titled “Strengthening Multilateral Cooperation for Global Common Development”.⁵⁶ The roundtable called for “stepping up policy communication and coordination”, “upholding multilateralism and free trade”, “working together to address global challenges such as climate change and debt issues”, “enhancing the resilience of the global financial system”, and “providing impetus to global economic recovery and growth”.⁵⁷

Chinese Foreign Minister Wang Yi addressed a symposium on the country’s foreign policy stressing that, in 2023, “China will break new ground in major-country diplomacy with Chinese characteristics”.⁵⁸ Beijing’s emphasis will be

⁵² Ibid.

⁵³ “Jiang Zemin funeral: Xi Jinping hails late leader for steering China through tough times and defying Western pressure”, South China Morning Post, December 6, 2022.

⁵⁴ Ibid.

⁵⁵ Ibid.

⁵⁶ “China to advance high-level opening up, expand institutional opening up: premier”, Xinhua, December 10, 2022.

⁵⁷ Ibid.

⁵⁸ “China to break new ground in major-country diplomacy with Chinese characteristics: FM”, Xinhua, December 25, 2022.

on “head-of-state diplomacy better serving the interests of the Party and the country”, “deepening mutual strategic trust with Russia”, “recalibrating China-US relationship”, “promoting steady growth of China-EU relations”, “deepening friendship, mutual trust, and convergence of interests with neighboring countries”, “strengthening solidarity and cooperation with other developing countries”, “building a stronger national defence to protect country’s interests”, “resolutely fighting all forces that attempt to halt the rejuvenation of the Chinese nation”, and “strengthening China’s international communication”.⁵⁹ Meanwhile, Wang Yi has been appointed as the Director of the Office of the Foreign Affairs Commission of the CPC Central Committee, replacing Yang Jiechi.⁶⁰

President Xi Jinping in a meeting with Chief Executive of the Hong Kong Special Administrative Region (HKSAR) highlighted the success of “one country, two systems” and the “principle of patriots administering Hong Kong”.⁶¹

In another address, marking 40 years of the enactment of China’s present constitution, President Xi called for “writing a new chapter in the country’s constitutional practice to build China into a modern socialist country in all respects”.⁶²



Covid-19 chaos in Chinese hospitals as the country relaxes its stringent zero-covid policy.

Source: [Caixin Global](#)

⁵⁹ Ibid.

⁶⁰ Global Times, [Official Twitter Handle of Global Times](#), January 1, 2023.

⁶¹ “Xi Focus: Xi meets with HKSAR chief executive”, [Xinhua](#), December 23, 2022.

⁶² “Xi stresses writing a new chapter in China's Constitution practice in new era”, [Xinhua](#), December 19, 2022.

Abolition of Zero-Covid Policy

Owing to the nationwide protests against stringent zero-covid policy, Joint Prevention and Control Mechanism of China's State Council adopted new anti-covid measures easing the burden of lockdowns, lengthy quarantines, and regular mass testing.⁶³ Global Times, highlighted country's 10 new measures against Covid-19, that effectively abolished the zero-covid policy, as "adherence to the original intention and logic of epidemic prevention and control".⁶⁴ Notwithstanding the spin being provided by, both, leadership and state media, the stark reality is that China's hospitals are witnessing a giant wave of Covid-19 infections and a shortage of health workers.⁶⁵ Fever medicines are in short supply, and the morgues are being overwhelmed as the death toll largely among the elderly is soaring. Concerns have also been expressed about China's new covid crisis spreading to the countryside. Caixin Global editorial emphasized the need to build up China's medical capacity, while, criticising Beijing for lifting pandemic controls in a messy way.⁶⁶ Considering the scale of coronavirus outbreak in China, several countries have reimposed COVID tests for travelers from China.⁶⁷ On the other hand, state media highlighted "improved anti-Covid measures as a booster dose to global [economic] recovery".⁶⁸

Trade and Economy

The Political Bureau of the CPC Central Committee convened Central Economic Work Conference on December 6 to analyze China's economic policies for 2023.⁶⁹ The meeting called for "proactive fiscal and prudent monetary policy ensuring economic stability with steady progress", "stronger coordination between qualitative and quantitative growth with industrial policies boosting both development and security", "strengthening the resilience of industrial and supply chains", "technological self-reliance",

⁶³ "Cover Story: Covid Chaos at China's Hospitals as Stringent Control Policy Eases", Caixin Global, December 12, 2022.

⁶⁴ "China's new 10 measures against COVID-19 are adherence to original intention, logic: Global Times editorial", Global Times, December 8, 2022.

⁶⁵ "Morgues overwhelmed: why China's new Covid crisis is all of its own making", South China Morning Post, December 23, 2022.

⁶⁶ "Editorial: China Needs to Build Up Medical Capacity to Tackle Covid", Caixin Global, December 12, 2022.

⁶⁷ "Covid travel curbs against Chinese visitors 'discriminatory': State media", Mint, December 30, 2022.

⁶⁸ "Xinhua Commentary: China's improved anti-COVID measures a booster dose to global recovery", Xinhua, December 13, 2022.

⁶⁹ "CPC leadership analyzes economic work for next year, makes arrangements for anti-graft work", People's Daily, December 7, 2022.

"boosting domestic demand", "making greater efforts to attract foreign investment", "deepening reform of state-owned enterprises" (SOEs), and "promoting steady development of the property market". As part of its long-term development goals extending to 2035, CPC Central Committee and the State Council jointly issued guidelines to boost domestic demand.⁷⁰

Amidst growing global economic uncertainties, Beijing's abrupt shift from stringent zero-covid policy, and slump in the property market, World Bank forecasted China's GDP growth to slow to 2.7 percent in 2022, while, it expects the country's economy to grow by 4.3 percent in 2023.⁷¹ Adding to China's concerns, open-source intelligence reports pointed toward country's budget deficit hitting record USD 1.1 trillion as a consequence of the economic slump.⁷² Meanwhile, Goldman Sachs forecasted China's GDP to surpass the US by around 2035, years later than previous estimates.⁷³

Tariffs imposed by the US on imports of steel and aluminum products in 2018 triggered a trade war between Washington and Beijing with global ramifications. The World Trade Organisation's Dispute Settlement Body has, however, ruled that, US tariffs imposed on the grounds of national security have contravened WTO regulations as Washington's measures were not imposed "in the time of war or other emergency in international relations".⁷⁴ Commenting on this development, Global Times editorial asserted that "the US can no longer be allowed to go rouge at the WTO" and "article 21 [security exception] of the General Agreement on Tariffs and Trade cannot be used to practice unilateralism and protectionism".⁷⁵ On the other hand, as the US Public Company Accounting Oversight Board (PCAOB) confirmed that it was able to inspect and investigate accounting firms headquartered in Chinese mainland and HKSAR, Global Times editorial stressed that "China-US audit supervision cooperation should become a model case" for cooperation between the two countries.⁷⁶

⁷⁰ "China issues guideline on expanding domestic demand", Xinhua, December 15, 2022.

⁷¹ "World Bank Cuts China Growth Forecasts on Property Slump, Reopening Complications", Caixin Global, December 21, 2022.

⁷² "China's Budget Deficit Hits Record \$1.1 Trillion on 'Zero Covid' Slump", Caixin Global, December 21, 2022.

⁷³ "China GDP to surpass US around 2035, years later than previously expected, Goldman Sachs predicts", South China Morning Post, December 9, 2022.

⁷⁴ "The US can no longer be allowed to go rogue at the WTO: Global Times editorial", Global Times, December 12, 2022.

⁷⁵ Ibid.

⁷⁶ "China-US audit supervision cooperation hoped to become a model case: Global Times Editorial", Global Times, December 16, 2022.

Addressing 'Central Rural Work Conference', President Xi called for advancing "rural revitalization" by building China's strength in agriculture.⁷⁷ Boosting Beijing's efforts to bolster food security, China's grain output reached a record high of 686.53 million tons in 2022 up 0.5 percent from the previous year, shrugging off devastating heatwaves, droughts, floods, and coronavirus containment measures.⁷⁸ In another development, 'Baihetan hydropower station' became fully operational in the upper section of the Yangtze River in southwest China that was described by Xinhua as the "world's largest clean energy corridor".⁷⁹

Defence and Security

Owing to the multiple strategic challenges posed by China, Russia, and DPRK (North Korea), Japan revised its "National Security Strategy", "National Defence Strategy", and "Defence Force Preparedness Plan" marking a transformational shift in Tokyo's "defence only" military posture maintained since the end of WWII. Criticising Japan's plans of increasing defence budget and acquiring capabilities to launch "counter-strikes" against distant enemy targets, Global Times asserted that Japan is "fracturing security pattern in East Asia", advising Tokyo to "take it easy".⁸⁰ Chinese Ministry of Foreign Affairs, on its part, called upon Japan to "reflect on its history of aggression", "respect the security concerns of its Asian neighbors", and "act cautiously in the fields of defence and security to maintain regional peace and stability".⁸¹ Amidst escalating tensions, China-Japan defence hotline is expected to start in 2023.⁸²

China strongly opposed Pentagon's 2022 Report on Military and Security developments claiming it to be part of US's "cold war mentality", "old trick of hyping up the so-called China military threat", and "interference in Taiwan question".⁸³ Beijing reminded Washington that it is committed to maintaining peace and stability across the Taiwan Strait, but, "will never promise to

⁷⁷ "Xi stresses building up China's strength in agriculture at key rural work conference", Qiushi Journal, December 25, 2022.

⁷⁸ "China food security: bumper grain harvest defies year full of challenges, and it could affect global food prices", South China Morning Post, December 12, 2022.

⁷⁹ "China builds world's largest clean energy corridor", Xinhua, December 20, 2022.

⁸⁰ "Positioning China as a 'threat'? Japan advised to take it easy: Global Times editorial", Global Times, December 14, 2022.

⁸¹ "China urges Japan to be cautious in words and deeds in military, security fields: FM spokesperson", China Military Online, December 7, 2022.

⁸² "China-Japan defence hotline to start next spring, expected to benefit regional stability", Global Times, December 1, 2022.

⁸³ "China resolutely opposes 2022 Pentagon report on Chinese military: Defense Spokesperson", Ministry of National Defense of the People's Republic of China, December 6, 2022.

renounce the use of force” and “reserves the option of taking all measures necessary”.⁸⁴ On the issue of modernisation of nuclear forces, China emphasized that the country pursues a nuclear strategy of self-defence with adherence to no-first use of nuclear weapons.⁸⁵



Northrop Grumman and the U.S. Air Force unveil the ‘B-21 Raider’, the world’s first sixth-generation aircraft, December 2, 2022. Source: [Northrop Grumman](#)

Amidst growing strategic competition in the Indo-Pacific, US Air Force unveiled sixth-generation strategic bomber ‘B-21 Raider’ on December 2.⁸⁶ Highlighting the stealth features of B-21 Raider, analysts asserted that the bomber is “aimed at deterring China” and “will pose new defence challenges to the country’s command centers, bases, airfields, and missile facilities, with potential of creating breaches in the anti-access and area denial systems of the PLA”.⁸⁷ China is likely to respond to B-21 raider by launching its own next-generation strategic bomber soon.⁸⁸ Heightening the risks of confrontation between the US and China, open-source intelligence reports pointed to the US

⁸⁴ Ibid.

⁸⁵ Ibid.

⁸⁶ US Department of Defense, [Twitter/@DeptofDefense](#), December 3, 2022.

⁸⁷ “US” newly unveiled B-21 stealth bomber raises new defence challenges to China, expected to be responded to by Chinese counterpart: analysts”, [Global Times](#), December 4, 2022.

⁸⁸ Ibid.

increasing its close-in reconnaissance near China's shores in 2022.⁸⁹ Further, PLA Navy's aircraft carrier 'Liaoning' ramped up aircraft sortie training in the Western Pacific.⁹⁰ As Liaoning edged closer to 'Guam', analysts claimed that the "Chinese carrier is ready to defend the country against potential US attacks launched from Guam".⁹¹

Marking 50 years of the establishment of China-Australia diplomatic relations, President Xi in a message to Australia expressed Beijing's "readiness to advance relations based on mutual respect and win-win cooperation".⁹² On the other hand, Chinese analysts expressed concerns over Australia-US "2+2" ministerial meeting as "casting a shadow over Asia-Pacific security".⁹³

Gen. Zhang Youxia, Vice Chairman of China's Central Military Commission (CMC), addressed a seminar of PLA officers studying the guiding principles of the 20th CPC National Congress.⁹⁴ Gen. Zhang stressed on "military modernisation", "war preparedness", "deepening reforms and innovation", and "enhancing law-based governance to fulfill armed forces missions and tasks".⁹⁵ In another development, Beijing unveiled guidelines to support demobilised PLA veterans in starting businesses.⁹⁶

Technology

Taiwan Semiconductor Manufacturing Co (TSMC) held a relocation ceremony for its first plant in the US (Arizona).⁹⁷ Responding to President Biden's claim that "American manufacturing was back", Global Times editorial "sounded an alarm over TSMC becoming USSMC".⁹⁸ Affected by continuing US sanctions

⁸⁹ "US spy planes edge closer to China's shores in 2022: think tank", South China Morning Post, December 25, 2022.

⁹⁰ "PLA Navy's carrier Liaoning ramps up aircraft sortie training in West Pacific", Global Times, December 22, 2022.

⁹¹ "China's aircraft carrier Liaoning spotted edging close to Guam for first time amid US strategic threats", Global Times, December 29, 2022.

⁹² "Xi says China ready to advance relations with Australia based on mutual respect, win-win principles", People's Daily, December 21, 2022.

⁹³ "Australia-US Ministerial Consultations casts shadow on Asia-Pacific security", China Military Online, December 13, 2022.

⁹⁴ "Senior Chinese official stresses national defense, military modernization", Ministry of National Defense of the People's Republic of China, December 13, 2022.

⁹⁵ Ibid.

⁹⁶ "China issues guideline on supporting veterans in starting businesses", Ministry of National Defense of the People's Republic of China, December 27, 2022.

⁹⁷ "Alarm is sounded after TSMC becomes 'USSMC': Global Times editorial", Global Times, December 9, 2022.

⁹⁸ Ibid.

on export of advanced new chips to China, 'Huawei' has reportedly run out of in-house designed chips for smartphones, damaging its business.⁹⁹

In the aftermath of violent clashes between workers and local security forces at world's "largest iPhone manufacturing factory" in Zhengzhou and subsequent supply chain disruptions, 'Apple' and its supplier 'Foxconn' are reportedly relocating some production of 'MacBook' to Vietnam by mid-2023.¹⁰⁰ Concerned with decoupling and the risk of China losing its central role in global supply chains, country's Commerce Minister Wang Wentao called upon Chinese companies to become adept in high-value-added production.¹⁰¹ Further, in recent years, China has increased trade with Asian neighbours.¹⁰²

China's space station construction entered final stage as Shenzhou-15 manned spaceship docked with front port of the space station's Tianhe core module.¹⁰³ Meanwhile, China's Ministry of National Defence rejected US Space Command Heads comments that China's growing capabilities pose threat to American space assets.¹⁰⁴ Rather, it called upon the US to stop hyping the "China threat theory in space" and "take an active part in international space arms control".¹⁰⁵

⁹⁹ "Struggling Huawei runs out of advanced in-house-designed chips for smartphones amid US trade sanctions, Counterpoint report says", South China Morning Post, December 21, 2022.

¹⁰⁰ "Apple said to start MacBook production at Foxconn's Vietnam plant by mid-2023 in move to diversify supply chain outside China", South China Morning Post, December 21, 2022.

¹⁰¹ "China calls on local manufacturers to protect nation's role as the world's factory as Apple diversifies its supply chain", South China Morning Post, December 20, 2022.

¹⁰² "China Increases Trade in Asia as U.S. Pushes Toward Decoupling", The Wall Street Journal, December 28, 2022.

¹⁰³ "China's space station provides open platform for global cooperation", People's Daily, December 24, 2022.

¹⁰⁴ "US should stop hyping up "China threat" and space confrontation: Defense Spokesperson", Chinese Ministry of National Defence, December 29, 2022.

¹⁰⁵ Ibid.



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