

# SINOMETER

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**EDITORS**

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## **Note from Head of CS3**

**Dear All,**

We are happy to publish the eleventh issue of the Sinometer: The China Strategic Monitor, a monthly newsletter by the Centre for Strategic Studies and Simulation (CS3), USI.

The newsletter is divided into two sections. The newsletter begins with an analysis of Nepal-China relations. It is then followed by news. China's ever-increasing win-win arrangement with Africa, US restrictions on Chinese chips, Jaishankar's comments for China at SCO and a discussion between experts of the US on China's Indo-Pacific policy.

This issue aims to give a holistic perspective of China in the backdrop of China's growing relationship with smaller third-world countries. We hope that budding China Watchers will take an interest in the newsletter. Happy reading!

**Maj Gen RPS Bhadauria,  
VSM(Retd)  
Head, Centre for Strategic Studies  
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# TABLE OF CONTENTS

## NEWS

China-Nepal Relations.....4

China’s inclusive win-win arrangement in Africa .....7

US puts restrictions on Chinese chips .....8

Jaishankar’s comments for China at SCO.....9

Expert: U.S. Allies in the Pacific Will Be "Well Receptive" to the New Pentagon National Defense Strategy.....10

## **Analysis**

### **China-Nepal Relations**

Nepal was closely following recent political changes in its northern neighbour as Chinese President Xi Jinping started his third five-year term as the General Secretary of the Communist Party of China (CPC). In Nepal, there are two perspectives on Xi's re-election to the party's leadership post. According to China analysts, the first is how China continues with its more extensive neighbourhood policy, which includes Nepal, and the second is how China battles the US in the region during Xi's upcoming term.

Xi promised to transform Nepal from a landlocked country to one with linkages to other nations when he visited there in October 2019. However, he could not realise his strategic plan during his final term due to domestic and other foreign problems. Even if Xi knows that India opposes the idea, he could advance this time.

According to observers, because of China's robust participation under Xi's previous government, the US has prepared to fight China in the South Asian nation. As the rising power unsuccessfully attempted to prevent the Nepalese Parliament from adopting the US-initiated Millennium Challenge Corporation (MCC) Compact in February of this year, recent geopolitical developments demonstrated how China's reactive diplomacy contributed to Nepal's current predicament.

Nepal is entangled in geopolitical and strategic disputes between China and the US due to the Tibetan issue. During his visit to Nepal in October 2019, Xi warned the government there, stating that anybody attempting to separate China would be 'crushed'. Nepal, which borders Tibet by 1414 km, is home to about 20,000 exiled Tibetans. Hundreds of Tibetan refugees leave Tibet each year and enter Nepal on their way to Dharamsala, India, where they want to see the Dalai Lama. Beijing views the Dalai Lama as a separatist attempting to split Tibet from China.

In light of escalating hostilities between Beijing and Washington about various issues, particularly the human rights of the Tibetan people, Xi is anticipated to adopt a more assertive posture to preserve his country's security interests. Analysts predict that Nepal will be thrust into a geopolitical quagmire. China has been exerting pressure on Nepal to uphold the agreement between the two countries as it has been more insistent and aggressively establishing itself as a superpower. In

the last weeks of his second term, Xi sent senior CPC officials and ministers to Nepal to keep an eye on US influence.

During Xi's visit, the two countries formalised several agreements, including one to build a railway connection through the Himalayas as part of the vast Belt and Road Initiative. Their bilateral relations were also upgraded to a 'strategic partnership'.

On the other hand, Nepal has reluctantly notified China that it only desires financial support through BRI, not commercial loans. China has persevered in pressuring Nepal to finish railroad link projects despite Nepal's reluctance to carry out BRI projects due to its worry about becoming caught in a debt trap. However, no projects have yet been selected in Nepal under the vast infrastructure plan that Chinese President Xi unveiled during his first term in office (2013 to 2018).

China is more likely to pursue the BRI vigorously than the US and its partners, who may try to impede the BRI's efforts. Former Nepalese ambassador and foreign policy commentator Yuba Nath Lamsal believes this might lead to upheaval in the South Asia region. As Xi tries to construct a new growth pattern across all sectors, China seeks to offer its economic pattern as an alternative development model when the global economy is facing challenges. According to Lamsal, China is expected to be more assertive and outward-looking in the international domain, given Xi's tone and tenor.

"As China seems to be portraying modernisation and security as the two sides of a coin, China may be more assertive in the neighbourhood, especially when the US is building its alliance and strengthening its capability in Asia and the Pacific region. This scenario may create friction in our neighbourhood, which could be a matter of concern for countries in the region", Lamsal told India Narrative.<sup>1</sup>

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<sup>1</sup> <https://www.thehansindia.com/hans/opinion/news-analysis/will-nepal-be-a-front-for-china-us-rivalry-767380>

## **News**

### **China's inclusive win-win arrangement in Africa**

"Chinese involvement in Africa is growing, which is good since it is inclusive rather than directive. It honours the African context's culture," In a recent interview with Xinhua, Yonas Adaye, commissioner of the Ethiopian National Dialogue, a think tank, remarked. Adaye praised China's respect for other nations' sovereignty, non-aggression, and peaceful coexistence and claimed that China is succeeding in the globe because it appreciates other people's cultures, histories, and distinctive characteristics. "China is truly unique in the world," he added. "The beauty of Chinese foreign relations strategy focuses on non-interference, no name and shaming, no withholding of aid to undermine bilateral relations, and no prescription of growth".

Tadele Alamneh, a PhD candidate in economics at Debre Markos University, said that the surge of Chinese FDI in Africa had aided the continent's economic development. Despite Ethiopia's lack of resources, it is China's leading beneficiary of foreign direct investment in Africa, according to Alamneh. "Chinese investment in Africa is not skewed against resource-rich and institution-poor nations," he said. The expert claims that, as opposed to an average growth rate of 4 per cent from 1993 to 2003, Ethiopia's GDP increased between 8 and 10.9 per cent from 2003 to 2018.

Ergogie Tesfaye, Ethiopia's Minister of Women and Social Affairs, emphasised the importance of the event by claiming that it fosters the development of capable young leaders in China and Africa. Tesfaye told Xinhua, "Having such a platform would assist the young in China and Africa in discussing their experiences and sharing information and talents".

According to the minister, China and Africa should assist their young people to understand each other by sharing cultures and creating more education and training facilities for a shared future. He cited the launching of Amharic language lessons in China and Chinese language classes in Ethiopia. Tesfaye said, "The Chinese government is assisting Ethiopian youngsters in studying in China, which has helped bring the most in-demand expertise and technology here in Ethiopia

and Africa". The minister is optimistic that implementing the China-proposed Belt and Road Initiative will help boost the existing trade, cultural and business-to-business relations between China and Africa.<sup>2</sup>

### **US puts restrictions on Chinese Chips**

To prevent the sale of cutting-edge semiconductors or their technology to Chinese firms engaged in artificial intelligence and supercomputing, the Joe Biden administration has made a bold decision. Even American allies, including South Korea and the Dutch company ASML Holdings, have issued warnings to their employees to avoid dealing with Chinese clients. Many American observers have seen this incident as the official commencement of World War II. According to the most current McKinsey study, the recently approved CHIPS and Science Act 2022, which authorises \$200 billion in government financing for chip R&D and \$52.7 billion for semiconductor production, would support US economic growth.

Due to the worldwide shortage of chips that is slowing economic development and China's desire to speed up its R&D with assistance from US-trained professionals, tensions inside America are now escalating. The semiconductor market in China is valued at several billion dollars, and 19 of the 20 semiconductor businesses with the highest worldwide growth rates are Chinese. Techno-nationalism is pervasive in a defiant China. It has made the production of chips a national objective and is working tirelessly to achieve independence.

The US makes 12 per cent of the world's chips. Much less than the share it had (37 per cent) in the 1990s. In the modern world, be it calculators, smartphones, computers, high-tech weapons, missiles, cars, aeroplanes, ships, or even stock markets; nothing can function without chips. So, its shortages cause widespread panic. And the beauty of this strategically most important industry is that neither China nor America dominates it entirely. It is a global participation and related business of more than 10,000 companies.

China sold semiconductors worth \$120 billion in 2021 but imported goods totalling more than \$400 billion, more than its budget for oil imports. However, it will need to increase local output due to US efforts. American businesses will also be affected,

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<sup>2</sup> <https://english.news.cn/20221101/2e379f68bd01420ea2fba804af53910b/c.html>

forcing them to rethink their purchase strategies. Apple depends on roughly 100 businesses globally, many Chinese, for design tools, instruments, intellectual property, semiconductors, and other components. Foxconn, a Taiwanese corporation, also makes phones for Apple, which has sizable facilities in China. The opposition claims that American action is "reversing globalisation" in the chip sector and wants to restrain China's economic growth by restricting the use of American knowledge in the sophisticated semiconductor industry.<sup>3</sup>

### **Jaishankar's comments for China at SCO**

In his statements at the SCO summit, external affairs minister S. Jaishankar did not mention any nation. However, India has long opposed China's BRI project since a significant portion of it—the China-Pakistan Economic Corridor—passes through Pakistan-occupied Kashmir. In an apparent jab at China, external affairs minister S. Jaishankar said on Tuesday that connectivity projects in the Shanghai Cooperation Organisation (SCO) region should prioritise the interests of Central Asian governments and respect each nation's sovereignty and territorial integrity.

To help define the SCO Council of Heads of Government's trade and economic agenda, Jaishankar spoke on behalf of India at the virtual gathering. Since China now holds the presidency of the Council of Heads of Government, Premier Li Keqiang of China hosted the gathering.

In a joint statement released following the conference, India was the only SCO member state not to reiterate support for China's Belt and Road Initiative (BRI). Jaishankar stressed the need for "greater connectivity in the SCO area founded on the primacy of interests of Central Asian republics" in a series of tweets. The following was added to him: "Connectivity initiatives shall respect the territorial integrity and sovereignty of Member States as well as international law".<sup>4</sup>

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<sup>3</sup> <https://www.csmonitor.com/World/Asia-Pacific/2022/1108/US-semiconductor-ban-targets-highest-of-Chinese-high-tech>

<sup>4</sup> <https://www.hindustantimes.com/india-news/at-sco-meet-jaishankar-s-polite-respect-sovereignty-message-to-china-101667307438625.html>



## **Expert: U.S. Allies in the Pacific Will Be "Well Receptive" to the New Pentagon National Defense Strategy**

The Center for Strategic and International Relations' Japan head, Christopher Johnstone, predicted that the policy would be "well-received" throughout the Indo-Pacific. The United Kingdom is now a part of the plan; he said, thanks to the Quad, an unofficial security and trade pact with Australia, Japan, and India, as well as the Australia-United States-United Kingdom (AUKUS) nuclear submarine and technology accord.

According to Kari Bingen, the head of the aerospace security project at CSIS, shaping the future of the international order also implies that Beijing is making significant investments to compete with the United States' technological advantages. The Manhattan Project, which resulted in the creation of the atomic bomb by the United States during World War II, was equal to each of the ten megaprojects that China is "going for". Her list of initiatives included ones involving artificial intelligence, space exploration, and quantum computing. She asserted they "obviously want to have the technical advantage" that the US has on the battlefield.

In response to Canberra's criticism of Beijing's response to the COVID-19 pandemic outbreak, Victor Cha, senior vice president for Asia at CSIS, stated that "many of our friends and partners may learn from the Australian example" in surviving Chinese embargoes on many of its goods and exports. He said that in addition to the economic effects, China intensified its efforts to meddle in Australia's political system through bribery and a persistent misinformation campaign.<sup>5</sup>

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<sup>5</sup> <https://news.usni.org/2022/10/31/new-pentagon-national-defense-strategy-will-be-well-received-by-u-s-allies-in-pacific-says-expert>

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