



01-15 AUG 2022

Topic/Tags	Rank & Name	Page (s)
War Game in U.S. Forecasts Grim Results; China Seeking India's Support for Defending Taiwan; China-Thailand Joint Military Exercises	Brig RK Bhutani (Retd)	2-4
Nepal-China Agreement of Trans Himalayan Network; Economic Crisis in Bhutan; Protest in Bangladesh for Hike in Fuel Prices	Col VN Shukla	5-7
Nancy Pelosi's Visit to Taiwan	Gp Capt Puneet Bhalla	7-10
Shelling at power plants causes fear of nuclear disaster; Interest of Indian Business in Russian Market; EU Ban on Russian Coal Imports	Gp Capt A Mathur	10-12
Nancy Pelosi's Visit to Indo-Pacific; German Fighter Jets in Indo-Pacific Region; Freedom and Openness in the Indo-Pacific	Ms Ulupi Borah	12-15
Russian-Turkey Bilateral Trade; Agreement on Construction of Railroad Linking China with Uzbekistan; Russo-China Bilateral Trade; Northern Sea Route (NSR) Development Plan; Russia-Ukraine Resume the Grain Supply; Russia's FM Talks on Development of the BRICS as US, EU Alternative; Beijing and Moscow Clash Over Kazakh Oil Exports	Ayan Manchanda	15-19

CHINA (Geo-Strat, Geo-Politics & Geo-Economics)

What if China Attacks Taiwan? War Game in U.S. Forecasts Grim Results

Source: <https://timesofindia.indiatimes.com/world/china/what-if-china-attacks-taiwan-war-game-in-us-forecasts-grim-results/articleshow/93482955.cms>
<https://www.wsj.com/articles/war-game-finds-u-s-taiwan-can-defend-against-a-chinese-invasion-11660047804>

Last week, China held a massive four-day exercise in Taiwan Strait in a belligerent response to US House speaker Nancy Pelosi's visit to Taiwan. During these drills, the PLA performed realistic combat-scenario joint exercises in the sea and air space around Taiwan, practicing island capturing drills and bomber deterrence flights in Taiwan Strait.

The PLA said the drills were "a rehearsal for real operation".

The Center for Strategic and International Studies think tank hosted a complex daylong war game in its Washington offices. The 7-hour war game, simulating three weeks of combat, illustrated what a daunting task it would be for China to launch an amphibious invasion across the 100-mile Taiwan Strait, even with its military advances of recent years. The outcome of war game is covered in succeeding paragraphs.

Conduct of War-game

The exercise—involving “Red” and “Blue” teams, maps, 20-sided dice and complex computer calculations—seemed less like a simulation than a preview of a possible future. The imagined conflict was set in 2026, and each side was limited to military capabilities it has demonstrated in real life. The opposing teams took turns at maps of the Pacific region populated with game pieces denoting military dispositions, conferring on strategy. They then moved to a detailed map of Taiwan. Computers calculated everything from the size of aircraft runways to how long it took submarines to rearm. The dice introduced an element of randomness.

The war-game scenario assumed China had decided to attack Taiwan and that the U.S.—which officially has a policy of “strategic ambiguity” about whether it would defend the island militarily—came to Taipei’s aid. The game didn’t include the potential role of nuclear weapons.

The game, began with pessimistic assumptions for the U.S.: It was distracted by a separate crisis in Europe, slowing its surge of forces to the Pacific. Meanwhile, Taiwan’s ability to respond had been hampered by Chinese information operations and sabotage.

China, played by the red team, attacked aggressively, hoping to subdue Taiwan as quickly as possible while staving off an expected American response.

The Chinese military shot ballistic missiles at U.S. air bases in Japan and an aircraft carrier strike group in the Pacific, destroying several squadrons of jet fighters and sinking the carrier and other U.S. ships. It deployed a defensive picket line of surface ships on Taiwan’s east coast and bombed the island’s infrastructure to interfere with Taiwan’s movement of ground troops. Finally, China landed 22,000 troops on Taiwan’s southeast coast and fought slowly northward, hoping to seize a port or airfield while avoiding cities and the urban warfare that comes with them.

But as the days drag on, the momentum shifted to the U.S. and Japan. Despite horrific losses in ships, aircraft and personnel, American forces bombed Chinese ports, eliminated the picket line of ships and successfully attacked Beijing's weak spot—the amphibious ships it needed to ferry troops and supplies to Taiwan.

The takeaway from the War game is that it demonstrated how destructive any attempted Chinese invasion of Taiwan could be across the Indo-Pacific—and what a forbidding challenge the island would be for Beijing's military forces.

“Probably the biggest [takeaway] is, under most assumptions, the United States and Taiwan can conduct a successful defense of the island. That's different from many people's impressions,”

But the cost would be high: Taiwan's economy would be shattered, and the U.S. military so battered that it would take years to rebuild, with repercussions for America's global power.

Comments. Russia's unexpected early setbacks in its invasion of Ukraine may cause Chinese President Xi Jinping to take pause, while on the other hand, Mr. Xi may draw the opposite lesson: use maximum force and strike Taiwan's leadership from the start.

Some U.S. military commanders have pointed to 2027, the 100th anniversary of the founding of China's PLA, as a possible invasion date. One of the game participants said 2036 is a likelier time frame. “In 2027, China is unlikely to have the ability to successfully launch an amphibious invasion of Taiwan,” and “that suggests they are going to take another approach.” Many specialists say the large-scale live-fire exercises China is conducting following Mrs. Pelosi's visit portend a strategy of blockading Taiwan and squeezing rather than flattening it into submission.

Similar modeling and simulations should be worked out for Indian Armed Forces, as also for the politico-strategic level.

China seeks India's support on Taiwan but defends terror stand.

Source <https://timesofindia.indiatimes.com/world/china/china-seeks-indias-support-on-taiwan-but-defends-terror-stand/articleshow/93547997.cms>

Following India's call for avoiding any effort to unilaterally change the status quo in Taiwan Strait, Chinese ambassador to India Sun Weidong held a roundtable with journalists and expressed hope the Indian government will reiterate support for Beijing's one-China principle saying the same provided the “political basis” for its relations with India and other nations.

Comments. With India yet to publicly reaffirm commitment to its ‘One-China’ policy, Sun stated “My understanding is that India's ‘One-China’ policy hasn't changed, and we hope India can once again reiterate the one-China principle”. Whereas, on ‘One-China’, the Indian govt had said on 12 August (two days before this conference), India's policies had been consistent and didn't require reiteration.

China is seeking India's support for defending its own sovereignty and territorial integrity in the case of Taiwan at a time it's itself accused of occupying parts of Indian territory in eastern Ladakh. Sun, however, said the two sides had disengaged at most points in the western sector and the current situation was stable. The ambassador said Taiwan and the border situation with India were two very different issues as the former was an internal matter of China. "Let me say that although China-India relationship has been facing difficulties, we have been consistently making efforts to improve our relationships. There is a consensus between our leaders that we are partners and not rivals. They have also maintained contact and exchanged views for further development of relations," stated Sun, adding China looks at relations with India from a long-term and strategic perspective.

India's relations with China have come under fresh strain because of Beijing's decision to block the listing of Pakistan-based terrorists by UNSC sanctions committee twice in two months. When asked why it was only China in the Security Council that was blocking UN proposals to sanction India-focused terrorists, Sun said China was following only relevant procedures and rules and needed more time to assess the proposals.

India's acceptance of "One-China" policy is on reciprocal basis as long as China follows "One-India" policy and that incorporates complete Jammu & Kashmir (including that occupied by Pakistan) and Arunachal Pradesh as part of India.

China sending fighter jets to Thailand for joint military exercises

Source : https://www.business-standard.com/article/international/china-sending-fighter-jets-to-thailand-for-joint-military-exercises-122081300240_1.html

The Chinese Air Force is sending fighter jets and bombers to Thailand for a joint exercise with the Thai military on 14 August. The training will include air support, strikes on ground targets and small and large-scale troop deployment.

The Falcon Strike exercise will be held at the Udorn Royal Thai Air Force Base in northern Thailand near the border with Laos. Thai fighter jets and airborne early warning aircraft from both countries will also take part.

Comments. US Defence Secretary Lloyd Austin visited Thailand in June as part of an effort to strengthen what he called America's unparalleled network of alliances and partnerships in the region.

The training comes as the U.S. holds combat drills in Indonesia with Indonesia, Australia, Japan and Singapore in the largest iteration of the Super Garuda Shield exercises since they began in 2009.

China's expanding military activities in the Asia-Pacific region have alarmed the United States and its allies and form part of a growing competition between the world's two largest economies.

NEPAL

Nepal and China Agree to Build a Trans Himalayan Network

Sources.

(a) *The Times of India/The Economic Times : 11 August 2022 :*
<https://m.economictimes.com/news/international/world-news/china-nepal-agree-on-building-a-trans-himalayan-network/articleshow/93498063.cms>

(b) *Kathmandu Times : 11 August 2022*
<https://kathmandupost.com/politics/2022/08/11/beijing-announces-new-rs15-billion-aid-to-nepal>

Background Information. Nepal and China have agreed to build the Trans Himalayan Multi Dimension Connectivity Network, which was communicated by the Chinese Foreign Ministry on 11 August 2022, consequent to meeting between the foreign ministers of the two countries. As per this agreement, China would finance the Feasibility Study of China Nepal Cross Border Railways and send experts to carry out survey for the project. This network under China's Belt and Road Initiative would involve building the Railway and Communication Network. China also announced Rs 15 Billion (800 Million RMB/Yuan) Grant to Nepal to invest in projects selected by Nepal for 2022.

Comments.

(a) Nepal had got into agreement with China in 2017 to be part of its Belt and Road Initiative. In early 2019, Nepal proposed nine different projects to be part of the Chinese Belt and Road Initiative, including the above mentioned Feasibility Study of China Nepal Cross Border Railways, however, no headway was made. Subsequently, during the visit of Chinese President Xi Jinping to Nepal in 2019, China and Nepal had elevated their relationship to a 'Strategic Partnership'.

(b) Announcement of this agreement is outcome of continued deliberations between Nepal and China over the last two - three years, wherein, Nepal was apprehensive of falling into Chinese Debt Trap in the garb of Chinese Infrastructural Push under its Belt and Road Initiative.

(c) In February 2022, Nepal had accepted US \$ 500 Million American Millennium Challenge Corporation Grant to upgrade its road network and electricity emission lines. Recently, US extended another US \$ 659 Million to aid Nepalese Economy. Nepal does not appear to be confident of Chinese economic intentions in the long term and is therefore keeping its options of financial aid from USA open.

(d) Chinese Railway and Communication Network to Nepal through its Belt and Road Initiative will have strategic and operational significance for India, as it would facilitate unhindered and quick movement of Chinese Forces close to Indian Borders, especially in the Central Sector, where Chinese have occasionally been attempting to assert themselves in the recent past.

BHUTAN

Indicators of Likely Economic Crisis in Bhutan

Source. DW <https://m.dw.com/en/how-serious-is-bhutans-economic-crisis/a-62836752?maca=en-rss-en-world-4025-rdf>

Information. A growing trade deficit and rising import costs have cast a shadow over Bhutan's economic health. With a global economic slowdown and nationwide COVID lockdowns, supply chains in Bhutan have been severely impacted. Its small and medium sized businesses have been struggling to keep afloat. The strengthening dollar and falling Indian Rupee to which Bhutan's Ngultrum currency is pegged is also leading to higher import costs. The restrictions imposed by India on wheat exports have increased worries of a further rise in local prices. Foreign exchange reserves in Bhutan have shrunk to US \$ 970 Million at the end of December 2021 from US \$1.46 Billion in April 2021, while total external debt rose to US \$3.2 Billion from US \$ 2.7 Billion, before the corona virus pandemic. The tourism sector has been affected and the void brought about a standstill in infrastructural projects. Bhutan's economic development is linked to the growth of its hydropower sector, as it exports about 70% of energy generated to India.

Comments.

(a) Bhutan is an import dependent country. Hydropower and tourism sectors generate revenue for Bhutan from outside the country. Bhutan needs to look at other sectors (especially new technology for agriculture) and reformulate policies that can bring revenues to revive the economy.

(b) Bhutan's constitution mandates the country to maintain enough foreign currency reserves to meet 12 months of imports. Presently, Bhutan has sufficient foreign reserves to meet the import of essential goods for 14 months. However, it needs to catch up quickly to boost its foreign reserves.

(c) Tourism is one of the highest contributors to Bhutan's revenues. September 2022 onwards, Bhutan will reopen to international tourists. However, it has increased rates and has hiked sustainable development fee by US \$ 135 to US \$ 200 per tourist per night. This may not encourage tourists, mostly from India to visit Bhutan in the near future.

(d) In case of a prolonged economic crisis like the Sri Lankan economic crisis, Bhutan expects India to provide unconditional help, failing which China may position itself to take undue advantage. It is therefore essential for India to monitor the situation and help Bhutan, when essential to meet its economic challenges.

BANGLADESH

Protest Erupts in Bangla Desh After 52 % Hike in Fuel Prices

Source. *Mint* <https://www.livemint.com/news/world/its-bangladesh-after-sri-lanka-protests-erupt-over-52-fuel-price-hike-11659875763517.html>

Information. On 06 August 2022, thousands of demonstrators flocked to the streets in many Bangladeshi cities when government raised fuel prices to their highest level since its independence by about 52%. The cost of petrol has increased by 51.2 percent to 130 taka (roughly ₹ 108) per litre, the cost of 95-octane petrol has increased by 51.7 percent to 135 taka (roughly ₹ 113) and the cost of diesel and kerosene has increased by 42.5 percent. The Bangladesh Government had last raised diesel and kerosene prices by 23% in November 2021, which in turn prompted a nearly 30% rise in transport fares. The hike in fuel prices was unavoidable given current global market conditions. The state run Bangladesh Petroleum Corporation had lost more than 8 billion taka (about ₹ 667 Crore) on oil sales in the six months. Increased fuel prices will reduce the nation's subsidy burden, but increase pressure on inflation, which is currently above 7%. As a result of rising energy and food costs brought on by the Russia-Ukraine conflict, the country's import bill has increased, requiring the government to apply for loans from international institutions like the IMF. Amid dwindling foreign exchange reserves, the Bangladesh Government has taken a series of measures, including placing curbs on luxury goods imports and on fuel imports including Liquefied Natural Gas and shutting diesel run power plants, as it resorted to recurring power outages.

Comments.

(a) Bangladesh has been hit hard by a rising energy import bill, with fuel shortages forcing daily, multi hour power cuts. Its foreign reserves have also fallen to less than US \$ 40 Billion from more than US \$ 45 Billion a year ago (it stood at US \$ 39.67 Billion as of August 2022, down from US \$ 45.89 Billion a year earlier). The inflation rate in Bangladesh has been above 6 percent for past nine months, which reached 7.48 percent in July 2022, which makes it harder for poorer families to cover their daily expenses. Such economic developments may not augur well for the ruling party in Bangla Desh, where parliamentary elections are due in 2023.

(b) Bangladesh's strong export sector, notably its garment trade, has helped shield it from the recent global shocks and its reserves are still enough for about five months worth of imports, providing the country with some cushioning.

(c) In case of an economic crisis in Bangla Desh, India is expected to provide immediate help, failing which China may step in and take undue advantage. Bangladesh's Finance Minister AHM Mustafa Kamal recently warned that developing countries must think twice about taking more loans through China's Belt and Road Initiative, as global inflation and slowing growth add to the strains on indebted emerging market. It is therefore essential for India to monitor the situation and help Bangla Desh, when inescapable to meet such crisis.

UNITED STATES

Nancy Pelosi Visits Taiwan in Defiance of China

Source (<https://www.wsj.com/livecoverage/nancy-pelosi-taiwan-visit-china-us-tensions>)

U.S. House Speaker Nancy Pelosi undertook a two-day visit to Taiwan; the most senior U.S. official to travel to the island in 25 years. During her meeting with President Tsai Ing-wen, Mrs. Pelosi said the U.S. wouldn't abandon its commitment to Taiwan, framing her visit as part of a broader struggle over democracy's future. She also met Tsai Chi-Chang, vice president of Taiwan's Legislative Yuan, emphasizing her trip's peaceful motives and addressing the opportunities for U.S.-Taiwan collaboration on areas including security, economics and governance. Other stops by Pelosi included a meeting with semiconductor industry representatives, including manufacturing giant TSMC chair Mark Liu.

As her final stop before she left Taiwan, Pelosi visited the Jingmei National Human Rights Museum, a former prison used for political prisoners during Taiwan's White Terror. There, she met with former Tiananmen Square student leader Wu'erKaixi, who lives in Taiwan; Hong Kong bookstore owner Lam Wing-kee, who is the only one of the Causeway Bay booksellers to remain free; and Taiwanese NGO worker Lee Ming-che, who was detained by the Chinese government for five years on charges of "seeking to subvert state power" after participating in the 2019 Hong Kong protests. She also visited South Korea and Japan before returning home.

Speaker Pelosi's motivations for the visit have been speculated to be anything from securing her political legacy to an attempt to tout the Democrats' record as tough on China before midterm elections. Washington Post released an op-ed by her coinciding with the visit in which she provided her rationale for the trip: "In the face of the Chinese Communist Party's (CCP) accelerating aggression, our congressional delegation's visit should be seen as an unequivocal statement that America stands with Taiwan, our democratic partner, as it defends itself and its freedom." At the end of her trip, she declared that the United States' commitment to Taiwan's democracy was "ironclad."

Chinese officials had been warning Washington against a Taiwan visit by Pelosi since April, when her planned visit had to be postponed owing to her testing positive for Covid-19. More recently, President Xi Jinping in a phone call with President Biden on 28 Jul, had warned against Mrs. Pelosi's Taiwan visit. Chinese newspapers denounced the visit, blaming the Biden administration for giving Mrs. Pelosi the go-ahead to make a widely watched trip to Taiwan and accusing the U.S. of undercutting the "one China principle" by upgrading the level of official exchanges between the U.S. and Taiwan. In a response on Twitter, China's Foreign Ministry spokeswoman Hua Chunying wrote: "The US is essentially saying to us 'I can make provocations against you as I please, but you cannot reject them or act in self-defense.'"

The visit has had mixed reactions from countries within the region, with some nations seeing it as a provocative step and most not wanting to get embroiled in the superpower rivalry. Long-time allies Japan and Australia joined the US in criticizing China's response, while Russia reiterated its criticism of the visit as an act of "sheer provocation" under the pretext of demonstrating support for democracy on the island, and warned that nothing good would come of the trip. In South Korea President Yoon Suk-yeol did not meet her, ostensibly due to a previously scheduled holiday. Members of the Association of Southeast Asian Nations (ASEAN) put out a statement urging "maximum restraint" and reaffirming its support for a "One-China Policy. The one China principle is a policy held by

Beijing that the People's Republic of China is the only sovereign and legitimate China, and that Taiwan is part of it. Malaysia's special envoy to China condemned Pelosi for "fanning the fires of antagonism" in a statement backing Beijing, although the country's foreign minister later said it wasn't official government policy. Singapore's Foreign Minister Vivian Balakrishnan warned that rising tensions between the US and China presented a "dangerous, dangerous moment for the world," adding: "I know you have to compete, maybe even confront, but we all have skin in this game." In South Asia, Bangladesh and Sri Lanka affirmed their support for the One China policy.

India initially refrained from making a statement. On 12 Aug the foreign ministry spokesman said, "Like many other countries, India too is concerned at recent developments. We urge the exercise of restraint, avoidance of unilateral actions to change status quo, de-escalation of tensions and efforts to maintain peace and stability in the region." India, unlike many other nations of the region, did not make a reference to the 'One China' policy.

Comments. The visit of the 82-year-old speaker of the U.S. House Speaker has added to the volatility in the region.

The timing has been critical considering the Russia-Ukraine war and the upcoming high-level Communist Party conclave in China later this year where President Xi hopes to get another term. His priority is to ensure stability in the region at this time, while displaying China's strength and influence, so as to preclude ammunition to his detractors and rivals. The military exercises conducted just after the visit, around the island of Taiwan, involving firing of ballistic missiles were as much for domestic consumption as for external posturing. China also wants to deter any future visits from any other world politicians to Taiwan, which could contribute to Taiwan's standing and ambitions for 'independence.'

In the U.S., while the White House hasn't openly endorsed Pelosi's trip, it has defended her right, as head of an independent branch of government, to visit Taiwan as consistent with years of American policy. Her being from the same political party as President Biden is seen by some as a tacit approval from the administration of the visit. During her visit, she emphasised that there was bipartisan support for her trip in the U.S.

The U.S. "one China policy" has often been called out for its strategic ambiguity, in which Washington grants Beijing diplomatic recognition and acknowledges China's claims to Taiwan but doesn't endorse it. Some have called out the visit for further adding onto the confusion with contrasting statements from the leaders on the Taiwan issue and the visit of the speaker. The visit has been seen by some as providing an impetus for more coherence and clarity in its policy and postures in defending Taiwan and its democratic system. The visit is also being praised for internationalising the issue and providing an opportunity for Taiwan to explore friends and allies in the international system.

Some analysts have brought out the significance of the visit as an indication of U.S. Congress' stance that is particularly important for ensuring U.S. deterrence. The United States seeks to deter Beijing from using military coercion against the island, and Congress has a major role, both de jure and de facto, to play in the success — or failure — of such deterrence. De jure, the Taiwan Relations Act and the U.S. Constitution give Congress an important role in deciding how the United States would respond to a contingency in the Taiwan Strait. De facto, while presidents have asserted broad unilateral powers in deciding when to utilize military force, deterrent threats made by the executive are far more credible when backed up by Congress. In the absence of a congressional authorization for the United States to use military force in the Taiwan Strait — the passage

of which would likely be far more provocative than Pelosi's trip — this kind of visit signals that Congress would not tie the president's hands in a Taiwan contingency.¹

In the region, the smaller countries, which are dependent on Chinese trade and investments, have been guarded in their response to the visit. While these countries had welcomed the Indo-Pacific Economic Framework that provided trade opportunities, some of the nations are seeing the visit as provocative. This is significant in view of a similar mixed response to U.S. and European actions related to the Russian-Ukrainian War. Especially disconcerting for the U.S. has been the South Korean response, whose Foreign Minister made a three-day visit to China from 08 August, post Pelosi's visit. Beijing has also cancelled a meeting with Japan's Foreign Minister after the nation joined the Group of Seven in expressing concern about the military drills around Taiwan.

Although Indian government response to the highly symbolic visit has been tepid, the significance of the rising tensions between U.S. and China would not be lost on the decision makers. The growing assertion by U.S. resulting in the heightened activity around Taiwan offers political, strategic and economic opportunities for the future that must be judiciously exploited.

RUSSIA

Shelling at power plants causes fear of nuclear disaster

Source: <https://www.npr.org/2022/08/10/1116461260/ukraine-zaporizhzhia-nuclear-plant-russia-war-satellite-images?s=03> & <https://thebulletin.org/2022/08/rockets-fired-at-ukrainian-nuclear-power-plant-ukraine-and-russia-blame-one-another/>

U.N. Secretary-General Antonio Guterres called for international inspectors to access the Zaporizhzhia nuclear plant after Ukraine and Russia traded accusations over the shelling of Europe's largest atomic complex on 07 Aug 2022. U.N Secretary-General Antonio Guterres said the risk of nuclear confrontation had returned after decades, calling on nuclear states to commit to no first use of the weapons. The UN has urged a demilitarised zone around Zaporizhzhia nuclear plant. Any attack on a nuclear plant is a "suicidal thing. G7 nations Russia give back complete control of the Zaporizhzhia nuclear plant and other nuclear facilities to Ukraine amid growing concern of a disaster.

More Background: The plant is located in southern Ukraine besides the Kakhovka reservoir on the Dnipro river; Zaporizhzhia Nuclear Plant is Europe's largest and the world's tenth biggest. Before the war started, the 5,700 MW-capacity plants produced half of Ukraine's power. Three of its six reactors — each of 950 MW capacity — are currently active. The plant is 200 km from Russia-annexed Crimea and 500-odd km from Ukraine's capital Kyiv. Russia captured the plant site in early March and continues to control it. Currently, the plant is run by Ukrainian staff and "guarded" by Russian troops. Russian forces hold the plant, on the south side of the river, with Ukrainian forces holding the territory across the river from the plant.

Ukraine state nuclear company Energoatom claimed that Russia had fired rockets on Saturday at a spent fuel storage area, which holds 174 casks, each containing 24 spent nuclear fuel assemblies at the Zaporizhzhia Nuclear Power Plant, risking what the country's nuclear power company called a "nuclear disaster." Earlier, a fire was reported from the 750KV substation, which powers the fuel spent storage area, on 07 Aug 2022.

¹ James Lee and M. Patrick Hulme, "The Strategic Logic of Nancy Pelosi's Visit to Taiwan", *The Diplomat*, 05 August, 2022. <https://thediplomat.com/2022/08/the-strategic-logic-of-nancy-pelosis-visit-to-taiwan/>

Nuclear reactors require constant water circulation through their cores to stay calm, which, in turn, requires pumps powered by electricity. Meanwhile, a Russian defence ministry official claimed that Ukraine had shelled the Zaporizhzhia nuclear power station on Aug 7, 2022, damaging high-voltage power lines and forcing the plant to reduce its output. Addressing the UN Security Council on August 11, IAEA Director General Rafael Mariano Grossi called again for the IAEA to conduct a mission to assess the safety of the plant. Following Grossi's warning, UN Secretary-General Antonio Guterres called for the establishment of a demilitarized zone at the Zaporizhzhia plant. On 19 Aug, the Russian President agreed to allow IAEA inspectors to visit the plant. This comes a day after Ukrainian President Zelensky also agreed on arrangements for an IAEA mission to visit the nuclear site

Comments: It remains unclear why Russia or Ukraine would intentionally attack a nuclear power plant, given the dangers that a significant release of radiation from either a reactor or spent nuclear fuel could bring, not just to Ukraine but to surrounding countries, including Russia.

Indian business interested in Russian market

Source: <https://energy.economictimes.indiatimes.com/news/coal/eu-ban-on-russian-coal-imports-to-take-effect-after-transition-ends/93477384>

Russia's ambassador August 2, 2022, TASS News Agency Considering the exit of several Western corporations from Russia, Indian business is particularly interested in the Russian market, Russian Ambassador to New Delhi Denis Alipov said in an interview.

Comments: A large number of western companies have withdrawn their business in Russia, giving rise to an opportunity for other countries to invest in Russia.

A European Union bans on imports of Russian coal, agreed to by member states in April, began today. An EU ban on imports of Russian coal began Wednesday, a move that the European Commission said would impact about 8 billion Euros worth of Russian exports per year. Europe imports almost half of its coal from Russia. Russia was the world's third largest coal exporter in 2020, behind Australia and Indonesia. It's also the leading exporter of thermal coal to the European Union, ahead of China and South Korea.

Background. The ban constituted the first coordinated embargo by the EU on the vast energy exports that power Russia's economy and generate hundreds of billions of dollars annually. EU leaders struggled to agree on targeting Russian energy because of the risk posed to the region's economy during a soaring natural gas and fuel prices. Sanctioning coal will make life much more difficult for European utilities, which consume much Russian coal.

Russia's Transneft says oil supplies to three European countries suspended due to sanctions

Source: from CNN's Radina Gigova.

Supplies of Russian oil to Hungary, the Czech Republic and Slovakia through the Druzhba pipeline have been suspended starting August 4, 2022, due to sanctions restrictions imposed by the European Union, Russian oil firm Transneft said Tuesday. Ukrainian operator Ukrtransnafta suspended the pumping of Russian oil because it could not receive transit fees due to EU sanctions restrictions. However, the transit via the northern line of the Druzhba oil pipeline through Belarus towards Poland and Germany is normal." In

addition, Gazprom said that the only operational turbine at a key compressor station along the Nord Stream 1 pipeline, which links Western Russia and Germany, will shut down for routine maintenance from August 31 to September 2. Flows of natural gas through Nord Stream 1 have been contentious. The shutdown will come a month after Gazprom restored natural gas supply through the pipeline to only a fifth of its capacity after a previous shutoff for maintenance.

Comments. Natural gas prices and oil have surged as Russia has reduced or cut off natural gas and oil flows to a dozen European Union countries, fueling inflation and raising the risk that Europe could plunge into recession.

Satellite pictures showed devastation at a Russian air base in Crimea

Source: <https://www.reuters.com/world/ukraine-suggests-partisans-behind-blasts-russian-airbase-crimea-2022-08-10/>

Russian Air Base at Crimea was hit earlier this week .

Background. Russia, which seized and annexed Crimea in 2014, uses the peninsula as the base for its Black Sea fleet and as the main supply route for its invasion forces occupying southern Ukraine.

Comments: The attack on the airbase suggests that Kyiv may have obtained new long-range strike capability with potential to change the course of the war.

INDO-PACIFIC

Decoding Pelosi's Indo-Pacific Visit: Important for Both China And US to Try to Defuse Tensions

Source: <https://www.news18.com/news/opinion/decoding-pelosis-indo-pacific-visit-important-for-both-china-and-us-to-try-to-defuse-tensions-5721493.html>

Accompanied by an official Congressional delegation, Nancy Pelosi, the Speaker of the US House of Representatives, made a fiery trip to the Indo-Pacific region, stretching across Northeast (Japan, South Korea) and Southeast Asia (Malaysia, Singapore). The showstopper of her power-packed visit though was Taiwan. Initial flip-flops regarding the visit were driven by apprehensions regarding China's possible reaction, but undeterred by such repeated warnings, Pelosi went ahead with the trip. A longtime critic of human rights violations in China and a supporter of Taiwan, Pelosi is seen as one of the key faces of America's democratic values, at home and abroad. Naturally, her visit and interaction with the officials did not go down too well with the Chinese leadership, which started a live fire drill to show that Beijing can blockade the island nation.

Joe Biden had a telephonic conversation with Chinese President Xi Jinping on July 28. While both sides extensively discussed Taiwan, they differed in their perception of the issue as well as the outcome they thought they had achieved. While China wants the US to not up the ante on Taiwan and consistently accuses America of violating the One-China policy, Washington believes Beijing is failing to respect Taiwan's existence as a democracy and maintain the peace and stability in the Taiwan Strait. Despite China's warnings and even Biden not being on board, Pelosi still went ahead with her Taiwan visit and was received with much fanfare. China must understand that the US foreign policy and the role of public institutions and public opinion in shaping it are not the exclusive domains of the US government.

Comments. Nancy Pelosi's trip to Taiwan instigated China to blame US for provoking China to get involved into a situation of conflict. Her visit is expected to have serious implications as China already conducted missile strikes and military actions. China is of the opinion that US is violating its sovereignty and territorial integrity. The visit was also observed as an US initiative to retain the democratic values which was getting devalued by China's human rights violations. A major concern comes from ASEAN because there remains the possibility of an accidental war since China's response has been immense. Moreover, the tension over the Taiwan Strait is expected to become the very centre of US-China relationship. The issue is however not supposed to be only involving China, US and Taiwan but regional powers like Japan and India are expected to get involved considering both the countries are involved in territorial disputes with China.

The issue will have significant implications for India's foreign and defence policies. Though India was the first country to support the 'One China' policy, it has not reiterated the same publicly or in bilateral documents for over a decade. Following Nancy Pelosi's visit, China called India to reiterate its support for the 'One-China' policy. New Delhi suggested that no further reiteration was required because New Delhi too had pressed Beijing to recognise Kashmir as an integral part of India in exchange for a declaration of support for the "One China" principle. However, Beijing rejected to do so for its "all-weather friend," Pakistan. On the other hand, Taiwan looks up to India's support as an advocate of democracy and a nation who abides by the international laws. Indian views to restraint and avoid unilateral actions to change the status quo in the Taiwan Strait is much appreciated by Taiwan. Therefore, along with US and Japan Taiwan is looking for like-minded countries who would jointly be involved in enhancing its self-defence capabilities in the face of evolving challenges from China.

India's role would be crucial here. India will have more negotiating abilities with both the sides. If China wants India to support its 'One China Policy', China should consider Arunachal Pradesh which is claimed by China as Twang a territory of South Tibet, POK and Aksai Chin as the Integral part of India.

On the other hand, India had signed the Supply Chain Resilience Initiative with Japan and Australia, a minilateral economic framework which would promote trade growth in the Indo-Pacific region rather than relying on just one or few supply nations. Since the China-US relationship is getting more tensed and it is widening, India can grab the opportunity make its way into the global supply chain, displacing Beijing. Australia has already made ways to shift its supply chain from Beijing and developing ties with New Delhi. Thus in the above backdrop, India can build its ways to negotiate more and make significant influence in the region.

German fighter jets in Indo-Pacific for first time amid tension with China

Source: <https://www.hindustantimes.com/world-news/german-fighter-jets-to-make-debut-in-indopacific-101660641534465.html>

Thirteen German military aircraft were on their way to Australia on Tuesday as Germany looks to strengthen its presence in the Indo-Pacific region amid growing tensions with China. The six Eurofighters and seven military transport aircraft were due to land in Singapore on Tuesday before travelling on to Australia under the mission dubbed Rapid Pacific 2022. The fleet will take part in training exercises in Australia and Singapore before stopping off in Japan and South Korea on the way back to Germany, the Luftwaffe German air force said. The Luftwaffe's first deployment to the region and comes at a time of heightened tensions between Beijing and the West after China launched military drills

around Taiwan following a visit earlier this month by US House Speaker Nancy Pelosi to the self-governed island.

Comments. Germany became the second EU country after France to adopt the Indo-Pacific Strategy. China's rise and its Belt Road Initiative to influence the global economic system remains a concern for this EU member. BRI has already made significant investments in European countries such as Greece, Hungary, Portugal etc. and has not gone unnoticed by Germany. Although Germany has been quite clear that it had no intentions to contain China yet it wants to protect itself against China's hegemonic interference. The EU's interest in the Indo-Pacific region is enhancing since a huge per cent of the EU trade traverses through the SLOCs of this region. Any instability in this region will have adverse effect on its trade and economy. To establish its influence EU members such as Germany has been trying to deepen relationship with like-minded countries such as Australia, India and Japan. Sending its military aircraft to Australia is like Germany wants to deepen strategic relationship and enhance its influence in the Indo-Pacific region.

India welcomes the presence of EU in the region and especially due to its economic weight and technological strength. India is aware of the significance of the EU's presence in the region against the assertive behaviour of unilateral powers who have been trying to change the status quo. India signed strategic partnership with EU long back in 2004 but its bilateral relationship with Germany grew substantially. India also looks forward to more engagements with Germany and other EU members to retain the common values of democracy and rule of law. The Modi administration is visionary and believes that the need of a multipolar world is necessary and to build it the role of EU would be critical. Moreover, India is a QUAD member along with Australia, Japan and US and any sort of engagement of EU members with either of them is an additional complement for India. India is also looking forward to engage with Germany and other EU members mostly on maritime security, climate change and vaccines. The willingness to work with QUAD countries mostly comes from China's expansionist attitude which is no longer limited to its near seas but far seas i.e., the Indian Ocean.

Pursuing freedom and openness in the Indo-Pacific

Source: <https://www.eastasiaforum.org/2022/08/13/pursuing-freedom-and-openness-in-the-indo-pacific/>

The US–Japan Economic Policy Consultative Meeting convened in July 2022 in Washington DC. US President Joe Biden and Japanese Prime Minister Fumio Kishida launched the Committee — led by the countries' top diplomats and trade leaders — in January 2022.

This served as an occasion for the United States and Japan to grow their bilateral economic security cooperation and present a blueprint to advance former Japanese prime minister [Shinzo Abe's vision](#) for a Free and Open Indo-Pacific (FOIP).

Arguably the finest global statesman of the last decade, the late Abe articulated the vision for the FOIP, envisaging a region of free and open commerce. But Kishida has correctly identified a need for 'realism' in advancing this vision. For the FOIP to flourish it needs to transition from a regional cause into a global phenomenon backed by credible diplomatic, economic and military force.

Advancing the FOIP is the cornerstone of the US–Japan policy to deter Chinese aggression. The Indo-Pacific is the most consequential region in the world, accounting for more than half of the global economy, commerce and population. In light of this, the United States and Japan need to work together with Australia and India — the other two nations of the Quad — to firmly establish the primacy of the FOIP in preserving global peace, prosperity and security.

Comments. The economic policy between the two countries is supposed to boost their trade relations. The economic boost is expected to happen on the lines of a ‘Free and Open Indo-Pacific’ which was advocated by Late Prime Minister Shinzo Abe. For a free flow of trade there should be freedom of navigation and freedom of air space. However, to promote trade without any instability both Japan and US realise that depending on the G7 countries wouldn’t suffice rather increase it to G10 which would include India as well.

These initiatives can have an impact on India since India’s active presence would be encouraged. US and Japan alone cannot compete with China’s economic outreach. Therefore, India’s involvement is of great salience for such economic policies.

EURASIA & CENTRAL ASIA

Russia And Türkiye Agree To Trade In Rubles And Dump US Dollar

Source: <https://www.russia-briefing.com/news/russia-and-turkiye-agree-to-trade-in-rubles-and-dump-us-dollar.html/>

Turkish PM Erdogan has said that at his meeting with Russian counterpart Vladimir Putin in Sochi on Friday they reached an agreement to start using the Ruble in bilateral trade. Russian – Türkiye bilateral trade is currently running at about US\$23.5 billion with both sides committing to increasing this to US\$100 billion by 2030.

Comments. Despite of numerous frictions between Moscow and Ankara, there exist many good reasons for bilateral cooperation between them. Geo-strategic proximity, Assertive geopolitical outlook, intertwined economic ties and remittances make them natural allies against the West. With a goal of \$100 billion dollar roadmap of economic co-operation, Türkiye looks forward to tapping cooperation in the fields of energy, trade, tourism and agriculture. Trade in Ruble denominations will not only deepen trade relations between the two countries but also help Turkey protect its dwindling hard currency reserves.

Uzbekistan confirms plan to sign deal on new railroad from China

Source: <https://eurasianet.org/uzbekistan-confirms-plan-to-sign-deal-on-new-railroad-from-china>

Tashkent has confirmed plans to sign an agreement on the construction of a railroad linking China with Uzbekistan via Kyrgyzstan, which has been on the table for a quarter of a century. The Uzbek government views the line as part of a grand scheme to improve transport and trade links westward from Central Asia to Turkey and onward to Europe, on a route that bypasses Russia.

Acting Foreign Minister Vladimir Norov also threw Tashkent’s weight behind a “Zangezur corridor,” in the Caucasus which would pass through Armenia’s Syunik province on defunct, Soviet-built railroad tracks.

“We believe that the linking up of the China-Kyrgyzstan-Uzbekistan railroad” with Caucasus infrastructure “will create a united transport network between our countries and expand the geography of trade between China and Europe,” Norov said at the first session of a new dialogue format between Uzbekistan, Turkey and Azerbaijan held in Tashkent on August 2.

Comments. CKU project has been under discussion for a quarter of a century, but the recent Russia-Ukraine conflict appears to have given it some impetus as international sanctions over Moscow has made Russian route to Europe less viable. The construction of this railway is quite important for both member countries of the project and many countries in the region. Firstly, China will benefit for enhancing the transportation related to BRI, as she could reach Central Asia, the Middle East and even Southeast Europe easily.

Kyrgyzstan and Uzbekistan are also seeking for their interests economically by not restricting themselves as mere “transit points” but building economic corridors along existing transport routes production; logistics and sales points. The enhanced transportation will also increase economic transactions.

Uzbekistan is also eager to capitalize on the potential of another transport route linking Azerbaijan with Turkey: Baku-Tbilisi-Kars railroad. Interestingly the Zangezur/Syunik corridor is also being heavily backed by Turkey and Azerbaijan. As if implemented, it would unite the entire Turkic world by providing an uninterrupted overland link between Turkey and mainland Azerbaijan.

However, Russia’s position on this remains unclear due to the conditions under on-going war with Ukraine, and willingness of member countries to include Russia in this project. Also with on-going economic uncertainty in China it remains unclear who will foot the bill for the railroad, which one estimate has put at \$8 billion. China may have the deepest pockets, but has clearly emphasized that it does not plan to shoulder the burden alone.

Growing Chinese Foothold in the Russian Markets

Source: <https://www.russia-briefing.com/news/russia-s-july-2022-imports-from-china-up-29-year-on-year.html/>

It can be estimated that about 25-30% of Russia’s 2021 imports from the EU have now been replaced from other sources. Russia now beginning the process of absorbing the complete loss of EU imports Russia bought US\$6.7 billion worth of goods from China in July, as supply chains adapt in the wake of Western sanctions. Chinese shipments to Russia surged 22.2% in July from a year earlier in US dollar terms, reversing the decline of 17% in June and marking the first growth since March this year.

With parallel imports being permitted from early July, it would appear that in terms of consumer volumes, Russia will be able to absorb the loss of EU imports by late 2024, although certain technical component parts will take time to replace either from Russian domestic or alternative sources.

Bilateral trade between China and Russia reached US\$146.87 billion in 2021, itself a record high. That will almost certainly be broken this year. Presidents Putin and Xi had expressed a desire to see the figures reach US\$200 billion by 2024.

Comments. Under Western sanctions, Russia has tightened fiscal policies, boosted trade with China and become stronger. In everything from Russo-Chinese cooperation in economic as well as geostrategic terms to energy and armaments, bilateral relations appear to be getting stronger, enabling them to react more effectively against possible Western interventions and economic sanctions. If Russia and China further increase policy coordination and support each other economically, they will strengthen their strategic positions, presenting a formidable challenge to the West and its alliances. If this goes on USA may end up having to fight on two fronts at the same time against formidable enemies compared with Iraq and Afghanistan in the recent past.

Russia Issues Northern Sea Route (NSR) Development Plan to 2035

Source: <https://www.russia-briefing.com/news/russia-issues-northern-sea-route-development-plan-to-2035.html/>

The Russian government has approved a new development plan for the Arctic Northern Sea Route to be effective from now until 2035, with about 1.8 trillion Rubles allocated for the development of the NSR. The plan cuts Europe off from All Russian Arctic Resources and concentrates on the Asian customers. It is expected that minerals will become the main base for the NSR. NSR being viewed as a main artery of the Russian Arctic will be levied up with three main tasks:-

- (a) Become an energy superhighway for export of hydrocarbons and other natural resources of the Russian Arctic;
- (b) Supply everything needed to the ports and new “points of economic growth” of the Arctic Zone of the Russian Federation (AZRF);
- (c) Assure smooth international transit.

Comments. The Arctic has historically been a depressed part of the Russia, with unemployment and poverty higher than average, contributing to a net decrease of the population over the past two decades. The Northern Sea Route is one of the flagship projects of Putin aiming for year-round sailing along this shipping lane. Russia is currently investing heavily in infrastructure along the NSR in the Russian Arctic and hoping to lure more people to live in with promises of pay-outs and infrastructure development in the environmentally vulnerable territory.

Despite the huge difficulties concerning the development of the NSR, its development and efficiency remains valid, and it is becoming an important transport artery. Although during the USSR, the cargo turnover was a little more than 7 million tons, this has already been surpassed to reach 35 million tons.

International situation and the sanctions policy of Western countries against Russia make it necessary to increase trade with other regions, including Asian countries, meaning goods delivery will now use alternative routes. Overtime NSR has the potential to become the leading trade route in Russia. However, one of the main problems in the development of the NSR is its small depth – up to 12.5 m on the route between the Arctic islands making it difficult for the Modern tankers and lighter carriers.

Global grain prices fall: The first Ukrainian exports have reached the global market

Source: <https://www.rt.com/business/560482-global-grain-prices-fall/>

Wheat and corn prices dropped on Monday on news that the first grain ships from Ukraine reached their destinations and the expectations that restrictions on Russian agricultural exports will be eased. Around 11:00 GMT, the most actively traded wheat futures on CBOT fell 1.4% to \$7.64 per bushel. Corn traded down 1.1% at \$6.03 a bushel, and soybeans fell 0.09% to \$14.07. Wheat has so far nearly halved in price since this year's high of \$14.25 in March.

Prices have been steadily declining ever since the Moscow-Kiev deal on grain exports, brokered by Turkey and the UN, was signed last month. Russia and Ukraine are considered the breadbaskets of the world, accounting for nearly a third of the global grain supply.

Three ships loaded with grain left Ukrainian Black Sea ports on Friday under a deal negotiated with Russia last month, Reuters reported, citing the Turkish Defense Ministry and witnesses. Corn is Ukraine's main grain export, accounting for over 15% of the global supply. Ukrainian grain exports were suspended after Russia launched its military operation in the country in February, leading to rising concerns over global food supplies. Turkey and the UN helped Moscow and Kiev negotiate a deal last month to allow maritime traffic to resume.

Comments. Weaponisation of food is a time tested strategy to subdue your enemy, things were not different in the present Russia-Ukraine conflict wherein two of the largest exporters of grains stopped their supplies. With the deal brokered between Russia and Ukraine to resume the grain supply to the world there had been much relief in the global community. What needs to be lookout for is a well regulated and overlooked distribution of grain in the global community wherein the states in need don't face any supply shortages (as happened earlier wherein developed nations hoarded the excessive stockpile of grains depriving others of an equal opportunity).

Lavrov Talks Up BRICS As US, EU Alternative

Source <https://www.russia-briefing.com/news/lavrov-talks-up-brics-as-us-eu-alternative.html/>

Russia's Foreign Minister Sergey Lavrov has been talking up the development of the BRICS grouping as an alternative to the traditional focus of the United States and European Union. Speaking to participants of the 2nd BRICS International Youth Camp, Lavrov noted that the association preserves at its core "the general devotion to values of an equal dialogue and cooperation, mutual attraction of unique cultures and authentic civilizations" represented by various regions around the globe. Member states of the BRICS association (Brazil, Russia, India, China, and South Africa) contribute significantly to the search of collective responses to multiple present-day challenges and threats and play an important role in the formation of the positive and future-oriented global agenda, Lavrov said on August 2. "Our BRICS association is an example of a true multilateral and multipolar diplomacy, which meets the realities of the 21st century," Lavrov continued. "Its member states play an important role in the formation of a positive and future-oriented global agenda."

Comments. BRICS is designed to promote non-politicized trade and developing ties between nations. There is a growing desire among the developing countries to deter away from US and EU political interference with trade and move to a faster growing, less constraining trade environment.

Although all these facts signal towards the growing popularity for BRICS, yet until BRICS come up with mutual free trade agreement between its members the operational calibre of the organisation would be doubtful. There is also a question pending on how BRICS would be able to evolve itself as a non-political trade bloc.

However if these issues sorted, The BRICS nations contribute about 40% of global population and about 23% of global GDP. That is set to rise to about 50% of global GDP by 2040.

The emerging world order will be shaped by BRICS due to their capability to give alternate options to the present system in the world and that emerging world order would be shaping the politics of the Twenty First Century. Every step of BRICS, whether it is a bank or university or for that matter even thinking beyond the boundaries to create alternate politics from finance to literacy, would be the greatest point of departure in world politics.

Beijing and Moscow clash over Kazakhstan's oil.

Source <https://eurasianet.org/perspectives-beijing-and-moscow-clash-over-kazakhstans-oil>

Since its invasion of Ukraine, Moscow has twice blocked Kazakh oil exports crossing its territory. Is this revenge for Kazakhstan's refusal to endorse the war? An attempt to push up the value of its own crude?

Either way, Beijing does not like it. The Chinese government has signaled that it will not accept Russian meddling in Kazakh oil exports, quietly rebuking Moscow for the blockades.

Kazakhstan pumps just under 2 million barrels per day (bpd), about 2 percent of global oil production. Almost 80 percent is exported to world markets via the Caspian Pipeline Consortium (CPC) pipeline that connects the country's major oil fields with Russia's Black Sea port of Novorossiysk.

Comments. Russia's concerns have nothing to do with Kazakhstan rather what it is worried about is Chinese economic interests in Kazakhstan as it is the gateway to its Belt and Road Initiative of global transportation infrastructure. Though Beijing is loath to publicly break with Moscow, the PRC has subtly warned Moscow about intruding too deeply in world oil markets. Three days after the CPC was first closed, Sinopec halted a major investment in Russia, that's how china is counter balancing Russia's actions against the oil supply from Kazakhstan. It is also interesting to note how Central Asian Region has become a breeding ground for power struggle as Moscow loses its grip over its backyard, China, USA and Turkey are actively trying to make inroads into the region as Moscow lies engaged at its western border conflict with Ukraine.