



# Delhi Policy Group

Advancing India's Rise as a Leading Power



## DPG China Monitor

July 2021



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Delhi Policy Group

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

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### ABOUT US

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### DPG China Monitor

The DPG China Monitor features developments related to China during the month and is compiled by our research team comprising Brig. Arun Sahgal (Retd.), Senior Fellow, Dr. Angana Guha Roy and Sanket Joshi, Research Associates, from open-source reports and publications.

### Cover Photograph:

*Indian External Affairs Minister Dr. S. Jaishankar meets Chinese State Councilor and Foreign Minister Wang Yi on the sidelines of Dushanbe SCO Foreign Ministers Meeting, July 14, 2021. Source: Twitter/@DrSJaishankar*

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## Abstract

The 12<sup>th</sup> round of military commanders' level talks to discuss the next phase of disengagement in Eastern Ladakh took place on July 31. The focus of the discussion was on disengagement from areas of Hot Springs and Gogra Heights in Eastern Ladakh. While progress remained elusive, the talks were described as constructive. There was agreement to continue the dialogue to resolve remaining issues in an expeditious manner, and in the interim to jointly maintain peace and tranquility.

During a meeting in Dushanbe on the sidelines of the Shanghai Cooperation Organization (SCO) conclave, External Affairs Minister Dr. S. Jaishankar and his Chinese counterpart Foreign Minister Wang Yi agreed to prioritise holding a military commanders' meeting at the earliest while emphasising the need for early de-escalation. Dr. Jaishankar called for the full restoration of peace and tranquillity as an essential prerequisite for the future development of bilateral ties.

To deal with the growing Chinese threat, India has initiated a major rebalancing of forces by redeploying strike corps from the plains sector against Pakistan to the China front encompassing the northern, northeastern, and western borders. The proposed deployment comes amidst reports of China carrying out massive troop and equipment build-ups in Eastern Ladakh, including the upgradation of its air posture.

Chinese President Xi Jinping made a rare three-day trip to Tibet, a first by a Chinese President in three decades. News about the visit was released two days after it was over. President Xi is said to have met top commanders of the Tibet Military Command and reviewed development projects in the Tibet Autonomous Region. A significant part of his visit was a trip to Nyingchi, close to Arunachal Pradesh, which has recently been connected by high speed rail to Lhasa.

China's influence operations in India's neighbourhood continue unabated. There are signs of increasing Sino-Pak cooperation on BRI projects and in the military field. However, recent attacks on Chinese workers resulting in casualties have strained relations. China appears to be concerned over the change in political leadership in Nepal, which is seen as pro India. In Bangladesh, the BRI project for the development of Sonadia deep-sea port has been cancelled, a setback for Chinese attempts to develop a potential naval base in the Bay of Bengal. Similarly, Chinese attempts to manipulate the Sri Lankan political leadership to its advantage are creating an adverse sentiment among

the opposition and the public, even as China is committed to building yet another enclave in Colombo Port City (CPC).

Chinese Foreign Minister Wang Yi hosted a Taliban Delegation at Tianjin during the month. The core purpose of the meeting was to advise the Taliban leaders not to permit terrorist groups to use Afghan territory and to distance themselves from the separatist Uyghur militant group, the East Turkistan Islamic Movement (ETIM). China and Pakistan have also reportedly agreed to launch joint operations in Afghanistan to prevent the country from becoming a base for terrorists.

During a virtual summit with French President Emmanuel Macron and German Chancellor Angela Merkel, President Xi Jinping called upon both to rationally deal with disputes, while seeking to expand consensus and cooperation with the EU. Whereas the Chinese media highlighted the emergence of such a consensus, no such commitment was found in the German and French readouts after the meeting.

Russia unveiled a new security policy on July 3 that looks to balance its ties with both India and China. The new security policy aims to further expand strategic cooperation with India while developing comprehensive partnerships with China.

US Deputy Secretary of State Wendy Sherman visited China on July 25-26 for in person meetings with her Chinese counterpart and Foreign Minister Wang Yi. The Chinese side laid down several redlines for bilateral relations to improve while agreeing to carry forward the dialogue.

Marking a historic milestone, the Communist Party of China (CPC) celebrated the centenary of its founding on July 1. In his address to the nation, the Chinese President rallied the CPC for the "unstoppable" pursuit of national rejuvenation. Chinese state media lauded the realisation of the first centenary goal of building a moderately prosperous society, asserting that China was now marching toward the second centenary goal of building a great modern socialist country.

China's Gross Domestic Product (GDP) grew by 7.9 percent in the second quarter of 2021, down from 18.3 percent in the first. The country's foreign trade grew by 27.1 percent in the first half of the year to 18.07 trillion yuan (about USD 2.79 trillion), a record high. However, there are signs that China's trade growth is slowing down.

On US-China trade relations, Washington has no intention for the present to resume the “US-China Strategic and Economic Dialogue (S&ED)” that was suspended under the previous administration. Amid the intensification of global ‘trade frictions’, China released its latest commerce five year plan (2021-2025) with a focus on “import diversification” [especially in agricultural goods and energy] and “greater scrutiny of foreign direct investment” on national security grounds.

Amidst Beijing’s ongoing crackdown on technology companies, the value of Chinese companies listed in the US is said to be down by USD 770 billion in the last five months. The latest slump came following the State Council’s overhaul of the private tutoring industry.

The People’s Bank of China (PBOC) cut the reserve requirement ratio (RRR) by 0.5 percentage points, releasing CNY 1 trillion (USD 154 billion) worth of liquidity into the Chinese banking system to support small businesses.

Japan’s defence white paper 2021 released during the month expressed concern that China’s military development “lacks transparency” and Beijing is “attempting to change the status quo through coercion” in the East and the South China Seas. It also for the first time links the situation around Taiwan to Japan’s security. The Chinese Ministry of National Defence (MND) dismissed these statements as “false accusations damaging bilateral relations”.

As the US-China technology competition heats up, Beijing announced that “Chinese companies possessing the personal data of at least one million users would need to apply for a review by the government, if they plan an Initial Public Offering (IPO) in a foreign market”. In line with this policy, Beijing invoked the national security clause during the cyber security review of ride-hailing giant Didi Chuxing.

## Foreign and Security Policy

### I. China-India Relations

The [12<sup>th</sup> round of military commanders' level talks](#) to discuss the next phase of disengagement in Eastern Ladakh took place on July 31. The focus of the discussion was on the next phase of disengagement from areas of Hot Springs and Gogra Heights in Eastern Ladakh. While progress remained elusive, the talks were described as constructive. There was agreement to continue the dialogue to resolve remaining issues in an expeditious manner, and in the interim to jointly maintain peace and tranquility.<sup>1</sup>

During their meeting in Dushanbe on the sidelines of the SCO (Shanghai Cooperation Organisation) conclave on July 14, External Affairs Minister [Dr. S. Jaishankar and his Chinese counterpart Foreign Minister Wang Yi agreed](#) to prioritise holding military commanders' meeting at the earliest while emphasising the need for early de-escalation. Additionally, Dr. Jaishankar stressed the full restoration of peace and tranquility as an essential factor for the development of India-China bilateral ties.<sup>2</sup> Chinese Foreign Minister on the other hand maintained its oft-repeated stand that both countries in addition should focus on expanding bilateral cooperation. At a subsequent press briefing, [Ministry of External Affairs spokesperson Arindam Bagchi stated](#) that both sides reached an understanding to maintain stability on the ground and not take any unilateral action that could increase tensions.<sup>3</sup>

In an important development, [as part of efforts to 'rebalance' deployment](#) on the north, northeastern and western borders with China, India has begun redeploying Strike Corps, tasked for operations in plains against Pakistan to deal with the growing Chinese threat. The proposed deployment comes amidst reports of China carrying out massive troops and equipment build-up in Eastern Ladakh near the LAC.<sup>4</sup> Reports claim the [Chinese are enhancing defence and habitation facilities](#) in areas close to the LAC in eastern Ladakh and Arunachal Pradesh.<sup>5</sup> Simultaneously China is upgrading its air capabilities by upgrading Shakche and Barahoti airports to military airbases. Additionally, PLAAF (People's Liberation Army Air Force) is developing an airbase between

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<sup>1</sup> "India, China commit to expeditious disengagement in Ladakh; Chinese maintain rigid stance on Depsang," [India Today](#), August 2, 2021

<sup>2</sup> "Visibly Impacting Relationship": S Jaishankar To China On LAC Standoff," [NDTV](#), July 15, 2021

<sup>3</sup> "India again calls for early meeting of military commanders on LAC standoff," [Hindustan Times](#), July 22, 2021

<sup>4</sup> "China in focus, Army's Strike Corps units reach Ladakh as part of 'rebalance' strategy," [The Print](#), July 23, 2021

<sup>5</sup> Ibid.

Kashgar and Hogan to provide greater flexibility to its air combat operations.<sup>6</sup> In another provocation, the [Chinese reportedly erected tents on the Indian side of the Charding Nala in Demchok](#) in eastern Ladakh.<sup>7</sup> These Chinese activities indicate that despite commitments to maintain stability and prevent escalation, during bilateral discussions, its unilateral assertions and provocative activities continue all along the LAC.



Indian External Affairs Minister Dr. S. Jaishankar meets Chinese State Councilor and Foreign Minister Wang Yi on the sidelines of Dushanbe SCO Foreign Ministers Meeting, July 14, 2021. Source: Twitter/@DrSJaishankar

Chinese President Xi Jinping made a [rare three-day trip to sensitive Tibet](#), the first visit by the Chinese top leader in three decades. Importantly news about his visit was kept secret and released two days after the visit. Apart from Lhasa, he made an unannounced trip to Nyingchi, located, close to the border with Arunachal Pradesh. Nyingchi has recently been connected by high-speed rail to Lhasa. During his visit President Xi met top officials of the Tibet Military Command and reviewed development projects in the region. He also visited the Nyang River Bridge to inspect the ecological preservation in the basin of the Brahmaputra River. Early this year, China approved plans to build a huge dam over the Brahmaputra river raising concerns in the riparian states of India

<sup>6</sup> "China developing new airbase in Shakche near Ladakh, India watching closely | Exclusive," [India Today](#), July 19, 2021

<sup>7</sup> "In Demchok, China's tents on Indian side; no date yet for talks," [The Indian Express](#), July 26, 2021



and Bangladesh. Republican Congressman Devin Nunes called President [Xi's visit a threat to India](#).<sup>8</sup>

In an interesting admission, five months after claiming that it lost four of its soldiers in Galwan valley clashes, [China has now revised the toll to five](#).<sup>9</sup> China has repeatedly been inconsistent regarding the death toll of the PLA in Galwan Valley clashes. In fact, after repeated denials, it is only in February this year China accepted that it suffered any casualties at all.



Chinese President Xi Jinping arrives at the Nyingchi Mainling Airport in Southwest China's Tibet Autonomous Region, July 21, 2021. Source: Xinhua

Following the announcement of US Secretary of State Blinken's visit to India, a Global Times commentary concluded that [India won't let the US play the "India card" against China](#) given the growing divergences between the two sides over Afghanistan, vaccine distribution, and human rights issues.<sup>10</sup>

## II. China - South Asia Relations

<sup>8</sup> "Chinese Prez Xi Jinping's Tibet visit 'a threat to India': US Congressman," [Hindustan Times](#), July 27, 2021

<sup>9</sup> "China revises Galwan Valley clash toll to 5, says PLA troops were 'besieged'," [The Print](#), July 20, 2021

<sup>10</sup> "India 'may not be cooperative' on China issue amid Blinken's visit," [Global Times](#), July 26, 2021

China and Pakistan referred to as iron brothers have built an [“All-Weather Strategic Cooperative Partnership”](#) over the past seven decades. The strategic partnership continues to grow, in the backdrop of US withdrawal and the possibility of the Taliban establishing an Islamic emirate in Afghanistan.<sup>11</sup> Yet tensions are brewing in bilateral relations over the security of Chinese personnel in Pakistan and the effects of Taliban take over on groups such as TTP, who appear to be becoming increasingly militant. [A bomb attack on the bus carrying 30 people](#) to a hydro project in the remote Upper Kohistan region, killed 13 people of which nine were Chinese workers<sup>12</sup>. In another attack, gunmen killed two Chinese engineers in Karachi.

Amidst the above, there are signs of increasing Sino – Pak military cooperation. Reports claim the [Pakistan army has inducted Chinese-made VT-4 battle tanks](#). After Thailand and Nigeria, Pakistan is the third country to procure these tanks. VT-4 battle tanks are proposed to be used “in an offensive role by Pakistani strike formations.”<sup>13</sup> On the diplomatic front, during their [3<sup>rd</sup> Strategic Dialogue](#), Chinese Foreign Minister Wang Yi and Pakistani Foreign Minister Shah Mahmood Qureshi met in Chengdu, Sichuan Province on July 24. While acknowledging the need to support each other’s core interests, they emphasized continued cooperation over China-Pakistan Economic Corridor, infrastructure, information technology, agriculture, employment, and other areas.<sup>14</sup> Earlier to mark 70 Years of bilateral relations, a conference “Pakistan - China At 70: A Unique Bilateral Partnership” was held on July 7. In his remarks, [Chinese Foreign Minister Wang Yi assured relentless support to Pakistan](#), despite changes in world politics. He also reaffirmed [CPEC as the centerpiece of the Chinese global initiative](#) to promote Corridors, Culture, and Connectivity.<sup>15</sup> In his speech entitled “Step up the Efforts to Build a Closer China-Pakistan Community with a Shared Future in the New Era,” Foreign Minister [Wang urged Pakistan to step up cooperation](#) to contain the security risks in the wake of the US and NATO troops withdrawal from Afghanistan and the resurfacing of Taliban.<sup>16</sup> As a result, [China and Pakistan have decided to](#)

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<sup>11</sup> “Pakistan-China relationship is a factor for stability in the region and beyond: Pakistani Ambassador,” [Global Times](#), July 5, 2021

<sup>12</sup> “Chinese Engineers killed in Pakistan bus blast killed in Pakistan bus blast,” [Yahoo](#), July 14, 2021

<sup>13</sup> “The China-Pakistan Partnership Continues to Deepen,” [The Diplomat](#), July 9, 2021

<sup>14</sup> “Wang Yi and Shah Mahmood Qureshi Hold the 3<sup>rd</sup> Round of China-Pakistan Foreign Ministers' Strategic Dialogue,” [Ministry of Foreign Affairs: China](#), July 25, 2021

<sup>15</sup> “China says will stand firmly with Pakistan despite changes in world politics,” [Geo TV](#), July 8, 2021

<sup>16</sup> “China looks to step up cooperation with Pakistan as Taliban makes gains in Afghanistan,” [The](#), July 8, 2021

[launch "joint actions"](#) in Afghanistan to prevent the country from becoming a hotbed for terrorism.<sup>17</sup>

Days after Pakistan and China announced plans to launch 'joint actions' in Afghanistan [China hosted a Taliban delegation on July 28](#) holding 'friendly talks' in Tianjin. Taliban leader Mullah Abdul Ghani Baradar termed Beijing as a "trustworthy friend" and assured that the group will not permit "anyone to use" Afghanistan's territory. During the talks, Foreign Minister Wang conveyed that China expects the Taliban to draw a clear line between themselves and the separatist Uygur militant group, the East Turkistan Islamic Movement (ETIM). China is concerned that the East Turkistan Islamic Movement (ETIM) would infiltrate into restive Xinjiang through Afghanistan.<sup>18</sup>



Chinese State Councilor and Foreign Minister Wang Yi meets Taliban delegation led by Abdul Ghani Baradar in Tianjin, July 28, 2021. Source: Twitter/@MFA\_China

In another development, the Pakistan government announced that work on the [Mogpondass Special Economic Zone](#) in Gilgit-Baltistan would begin under the CPEC. India has opposed CPEC projects in Pakistan-occupied Kashmir and Gilgit-Baltistan, arguing that sovereignty of the territory is disputed as the area

<sup>17</sup> "China, Pakistan agree to launch 'joint actions' in Afghanistan to drive out terrorist forces: Chinese FM," [The Indian Express](#), July 27, 2021

<sup>18</sup> "Taliban leader meets Chinese FM; assures not to allow terrorist forces to operate from Afghanistan," [The Indian Express](#), July 28, 2021

forms part of Jammu and Kashmir, which ceded to India. Gilgit-Baltistan is an important land route linking CPEC projects in Western Pakistan including Gwadar Port.<sup>19</sup>

According to the latest reports [Bangladesh has cancelled the Sonadia deep-sea project](#), which had the potential of being developed into a future naval base by China. It has instead agreed to a port project in Payra, southern Bangladesh a very unlikely place for a naval base.<sup>20</sup>

China and Bangladesh have agreed to work towards [the repatriation of the Rohingya refugees](#) to the Rakhine state in Myanmar. Both underlined the need for resuming tripartite talks on the issue.<sup>21</sup> However, in the wake of China's ineffective diplomacy, Bangladesh has urged Russia to launch a '[trilateral initiative](#)' with Myanmar, to resolve the crisis of Rohingya migrants.<sup>22</sup>

A state media commentary on China - Nepal Relations in the Global Times revealed [China's insecurity over Deuba's appointment as the PM](#) of Nepal. It stated, "No matter who comes to power, they cannot lead the country toward prosperity without cooperation with China or avoid the influence of India...Deuba's rise to power may tilt Nepal a bit toward India, but he will not change the basic idea of multilateral balanced diplomacy between China, India, and the third-party countries."<sup>23</sup>

As per reports China is building yet another enclave in Sri Lanka, Colombo Port City (CPC). A report in [The Times of India](#) mentioned that by aggressively developing naval ports in the Indian Ocean Region, China is executing its string of pearls policy to encircle India.<sup>24</sup>

Commenting on China's increasing presence in Sri Lanka, a report in Hindu pointed out that despite China having extended nearly \$ 2 billion in support to Sri Lanka as loans, vaccine donation (Sinopharma), including USD six million for vaccine procurement, there is growing skepticism about China's role. Public sentiment is fast-changing following the passage of the controversial bill "Governing China backed Colombo City" and the appearance of 'mandrin'

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<sup>19</sup> "Pakistan-China relations steering committee includes POK and Gilgit-Baltistan in its fold," [India Blooms](#), July 6, 2021

<sup>20</sup> 'Bangladesh resists 'debt-trap' of China, avoids Belt and Road Initiative heavy-handedness,' [Mint](#), July 11, 2021

<sup>21</sup> "China, Bangladesh underscore need for resuming tripartite talks on Rohingya repatriation; joint vaccine production," [India Blooms](#), July 17, 2021

<sup>22</sup> "Bangladesh urges Russia to mediate in Rohingya crisis after China-led efforts fail," [The Economic Times](#), July 25, 2021

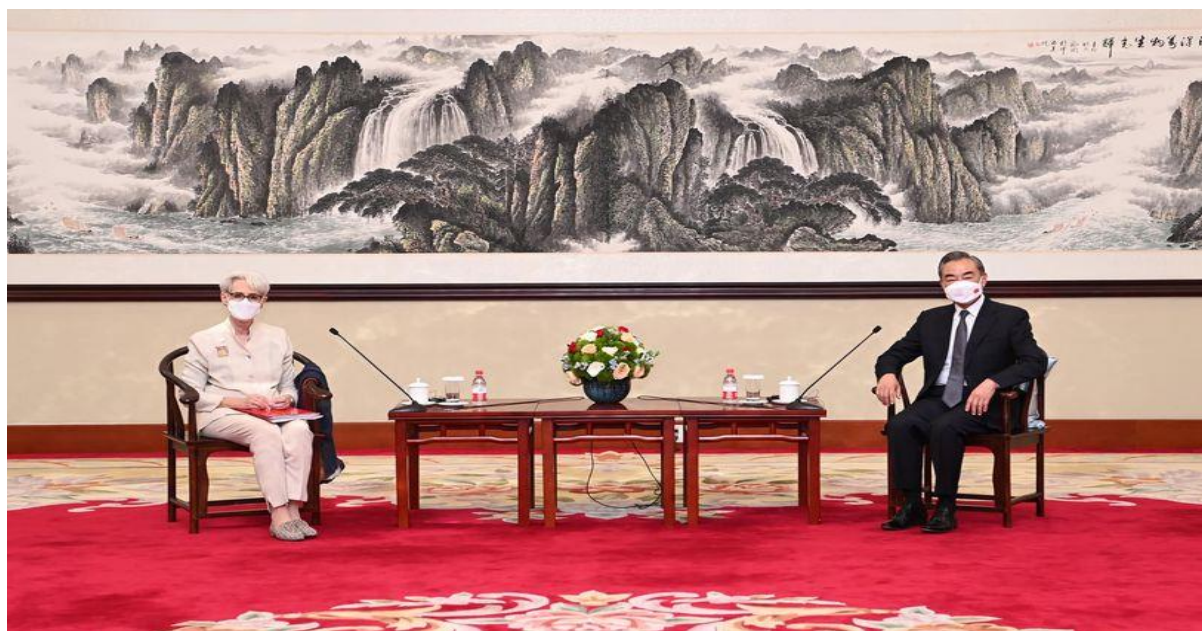
<sup>23</sup> "China-Nepal ties solid despite pro-India leader," [Global Times](#), July 19, 2021

<sup>24</sup> "China building another enclave in Sri Lanka: Colombo Port City," [The Times of India](#), July 15, 2021

signboards in public places and offices that excluded Tamil. [China's image of a competitor in the context of Sri Lanka's economic interests](#) is evoking concerns among people "with respect to the fundamental framework of the democratic nature of the Sri Lankan State".<sup>25</sup> Meanwhile, [Chinese Prime Minister Li Keqiang is slated to visit Sri Lanka](#) in September.<sup>26</sup>

### III. China – United States Relations

Wendy Sherman, US Deputy Secretary of State met Chinese vice Foreign Minister Xie Feng, in a face to face meeting at the port city of Tianjin on July 25. Chinese vice Foreign Minister, [blamed the US for portraying China as an imagined enemy](#) which he emphasised as the cause of stalemate in their bilateral relations.<sup>27</sup> [China laid down red lines](#) whose adherence was central to repairing bilateral relations. These include lifting sanctions on Chinese Communist Party personnel and dropping extradition request against Huawei financial chief Meng Wanzhou.<sup>28</sup> At the end of the talks, both sides maintained their hardline positions on South and East China seas, Xinjiang, Hong Kong, and Taiwan, even as they agreed to carry the dialogue forward.<sup>29</sup>



Chinese State Councilor and Foreign Minister Wang Yi meets US Deputy Secretary of State Wendy Sherman in Tianjin, July 27, 2021. Source: Twitter/@MFA\_China

<sup>25</sup> "A perception shift in relations between Sri Lanka and China?," [The Hindu](#), July 9, 2021

<sup>26</sup> "Chinese Prime Minister Li Keqiang to visit Sri Lanka," [Colombo Gazette](#), July 27, 2021

<sup>27</sup> "US accused of 'demonising' China as high-level talks begin in Tianjin," [The Guardian](#), July 26, 2021

<sup>28</sup> "US-China relations: Beijing lays down red lines for first time in Sherman meeting," [South China Morning Post](#), July 26, 2021

<sup>29</sup> "China, US draw lines in the sand at top-level meeting but agree to keep talking," [South China Morning Post](#), July 26, 2021

Foreign Minister Wang Yi also met U.S. Deputy Secretary of State Wendy Sherman on July 26. During the meeting he [drew three bottom lines on China-U.S. relations](#); (i) the U.S. must not challenge, slander or even attempt to subvert the path and system of socialism with Chinese characteristics; (ii) the U.S. must not attempt to obstruct or interrupt China's development process urging the U.S. to remove all unilateral sanctions, high tariffs, long-arm jurisdiction, and technology blockade; (iii) the U.S. must not infringe upon China's state sovereignty or damage China's territorial integrity referring to issues surrounding China's Xinjiang, Tibet, Hong Kong, and Taiwan.<sup>30</sup> He urged U.S. to follow these to prevent relations from deteriorating further.

#### IV. China - European Union Relations

During a virtual summit with French President Emmanuel Macron and German Chancellor Angela Merkel, [President Xi Jinping called upon both to rationally deal with disputes](#), while seeking to expand consensus and cooperation with the EU. President [Xi urged the EU to provide](#) a fair, transparent, and non-discriminatory business environment for the Chinese companies.<sup>31</sup> According to the Chinese post-meeting summary, both the German Chancellor and French President supported the revival of the EU - China investment pact.<sup>32</sup> In contrast, the German and French [read out](#) did not mention any such commitment, the French press release, in fact, rebuked China's human rights records.<sup>33</sup> Nevertheless, [Chinese state media highlighted the virtual meeting as](#) "growing support" for the China - EU investment agreement.<sup>34</sup>

In continuing effort to repair ties with the EU, [Foreign Minister Wang Yi urged EU diplomatic chief Joseph Borrell](#), to review EU policy over Tibet and Xinjiang.<sup>35</sup> Foreign Minister Wang's meeting with Borrell comes at the time when the [European Parliament has adopted a broad new resolution](#) on Hong Kong, advocating tough measures be taken over China's crackdown on the city's press freedom.<sup>36</sup>

<sup>30</sup> "China draws three bottom lines on bilateral relations with U.S.," [CGTN](#), July 27, 2021

<sup>31</sup> "President urges more consensus with EU," [China Daily](#), July 6, 2021

<sup>32</sup> "Xi Jinping, Angela Merkel and Emmanuel Macron throw support behind EU-China investment deal, Beijing says," [South China Morning Post](#), July 5, 2021

<sup>33</sup> "China says Macron and Merkel support reviving E.U.-China investment pact. Not so fast.," [The Washington Post](#), July 6, 2021

<sup>34</sup> "Support grows for China-EU business ties amid uncertainty," [Global Times](#), July 6, 2021

<sup>35</sup> "China-EU relations: Beijing urges both sides to repair damaged ties and 'eliminate interference'," [South China Morning Post](#), July 9, 2021

<sup>36</sup> "European Parliament adopts resolution on Hong Kong press freedom in response to Apple Daily closure," [South China Morning Post](#), July 9, 2021

## V. China- Russia Relations

In the backdrop of growing concerns over US troop withdrawal from Afghanistan, a commentary in Chinese state media underlined the difference of objectives between China and Russia in ensuring stability in the region. While Russia's primary concern remains the resurgence of terrorism in the region, China's dominant concern is the ETIM, which could spill over into the Xinjiang region, in particular battle-hardened cadres from Iraq. The commentary concluded that although [both countries have "different if not competing agendas"](#) in Afghanistan, both sought a more active role for the SCO in regional affairs.<sup>37</sup>

Russia unveiled a [new national security policy](#) on July 3 that looks to balance its ties with both India and China. The new security policy aims to further expand strategic cooperation with India while developing comprehensive partnerships with China. The security policy has been unveiled amid the continuing India – China border stalemate.<sup>38</sup>

During an event on July 11 marking the 20th anniversary of the signing of the 'China-Russia Treaty of Good-neighbourliness and Friendly Cooperation', Foreign Minister Wang Yi called on China and Russia to [jointly uphold multilateralism and oppose hegemony](#).<sup>39</sup> The Chinese state media carried the opinion of various Russian intellectuals commenting on China - Russia relations in the western led international order. [Andrey Bystritskiy](#) of Valdai Discussion Club, stated that Russia and China can change the world order despite the attempt of the West to defend its former dominant position.<sup>40</sup> [Professor Alexander Lukin](#), Moscow State Institute of International Relations stated unlike the US which is a revisionist power, Russia and China are stable powers within the real international order.<sup>41</sup> [Sergei Lousianin](#), professor at the Moscow State Institute of International Relations, indicated, "Under the pressure of political and economic sanctions imposed by the "Western bloc" led

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<sup>37</sup> "China, Russia have aligned interests to facilitate SCO role for Afghanistan," [Global Times](#), July 26, 2021

<sup>38</sup> "Russia unveils new security strategy that aims to balance ties with India, China," [The Print](#), July 4

<sup>39</sup> "China, Russia mark 20 years of friendship treaty, jointly opposing hegemony," [CGTN](#), July 11, 2021

<sup>40</sup> "US and its allies are the past; Russia and China are the future: Russian scholar," [Global Times](#), July 20, 2021

<sup>41</sup> "US cannot break China-Russia strategic partnership as it's based on national interests: Alexander Lukin," [Global Times](#), July 12, 2021

by the US, Russia, and China have to adapt to reality and remap certain strategic paths for global, regional and bilateral cooperation".<sup>42</sup>

## China's Global Image

### I. Coronavirus

China has denounced WHO's (World Health Organisation) proposal for carrying out the second phase of studies into the coronavirus origin (including audits of laboratories and markets in Wuhan). Zhao Lijian, the spokesperson of China's Ministry of Foreign Affairs, sarcastically urged the WHO to instead investigate [Fort Detrick](#) a military base located in Frederick, Maryland, as the source of the virus.<sup>43</sup>

### II. Belt and Road Initiative

As per a report published in "[The Irrawaddy](#)", the military junta is quietly attempting to pave way for the implementation of BRI projects in Myanmar, the scope of which was reduced by the elected NLD government. Military Junta has now approved a \$2.5 billion 'Mee Lin Gyaing', liquefied natural gas power project in the Ayeyarwady region. In addition, military rulers have also proposed to reorganise, Kyaukhayu Special Economic Zone (KPSEZ), responsible for implementing the special economic zone and deep-sea project, a key component of the BRI in Myanmar. The project is of great concern to India as it provides China direct access to the Indian Ocean, allowing oil imports to bypass Malacca including boosting China's Yunan Province's development.<sup>44</sup>

To counter Chinese, BRI, the European Union on July 12 decided to launch a global infrastructure plan linking Europe to the Asia. The [EU's ambitious "connectivity" plan](#) is slated to start from 2022 and is designed to be an alternative to China's BRI roadmap link to Europe.<sup>45</sup>

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<sup>42</sup> "Russia-China ties: Optimal combination of strategic interests, chances," [CGTN](#), July 17, 2021

<sup>43</sup> "Covid-19 origin: 'Go to Fort Detrick lab in US', China tells WHO," [Hindustan Times](#), July 27, 2021

<sup>44</sup> "Myanmar's military junta revives scope of BRI projects," [The Economic Times](#), July 26, 2021

<sup>45</sup> "After G7 pledge, EU seeks to rival China's 'Belt and Road' with own infrastructure plan," [Yahoo Finance](#), July 12, 2021



### III. Human Rights

In retaliation to Western and US narrative accusing China over its Human Rights records, China, Belarus, Russia, and Venezuela jointly held [a virtual discussion](#) titled "Human Rights in the West: Lack of international monitoring and response to the human rights violations," in which more than 40 representatives including officials from the Office of the High Commissioner for Human Rights, as well as representatives of NGOs and media, participated.<sup>46</sup> Jiang Duan, minister of the Chinese mission to the UN opined that "countries should communicate and cooperate on human rights and should not use it as an excuse to pressure or even impose unilateral coercive measures against others."<sup>47</sup>

Meanwhile a [joint statement signed by China](#) along with Russia, Sri Lanka, Syria, and Venezuela urged UK to face up to its human rights problems and stop all human rights violations, address the root cause of racial discrimination and hate crime, and carry out thorough and impartial investigations into cases of unlawful killings of civilians and, bring the perpetrators to justice while providing remedies to victims.<sup>48</sup>

### IV. Multilateralism

The Chinese state media continued attacking "[American multilateralism.](#)" One of the commentaries contended that US multilateralism is driven by ideology, geopolitics, and self-interest.<sup>49</sup> The commentary further argued that true multilateralism is defined by openness, inclusiveness, rule of law, dialogue, and cooperation, which evolve with the times.<sup>50</sup> A commentary in the state media prescribed to put in place "[commons diplomacy](#)" based on the general interests and some key principles such as equality, sovereignty, and the dignity of all civilization. It made three points of commonality such as peace, environmental conservation, and culture as the foundation of common diplomacy to build concrete partnerships.<sup>51</sup>

Chinese President Xi Jinping addressed the [Informal Economic Leaders' Retreat of the Asia-Pacific Economic Cooperation \(APEC\)](#) held on July 16, 2021. President Xi's speech stressed the need to enhance solidarity and cooperation to overcome the impact of the pandemic and boost global economic recovery.

<sup>46</sup> "Western nations criticized for hypocrisy on human rights at sideline meeting of UN body," [Global Times](#), July 10, 2021

<sup>47</sup> Ibid.

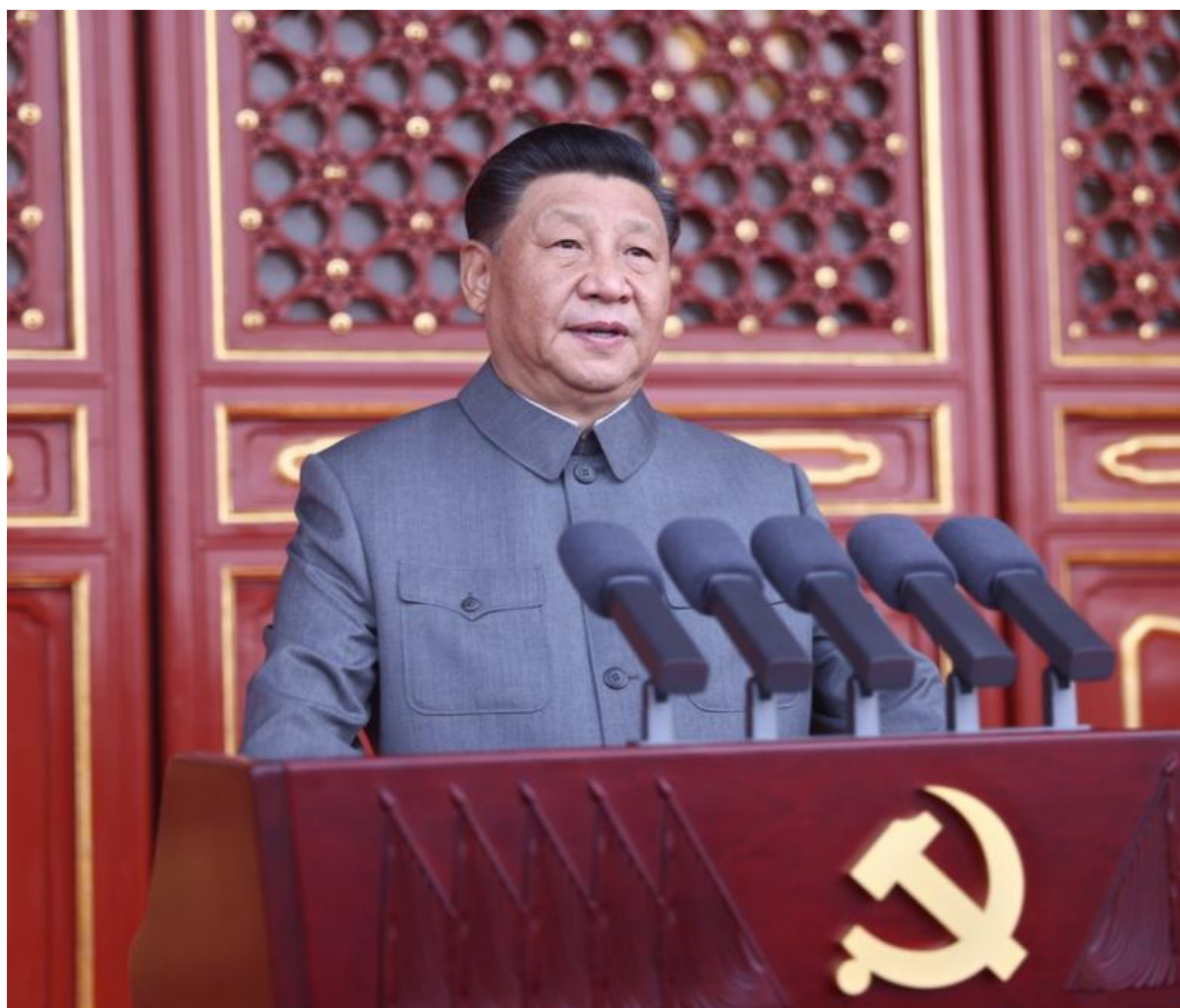
<sup>48</sup> "China, Lanka ask UNHRC to investigate UK for rights abuses," [Tribune India](#), July 13, 2021

<sup>49</sup> "US ploy to maintain hegemony," [China Daily](#), July 24, 2021

<sup>50</sup> Ibid

<sup>51</sup> "Commons diplomacy needed," [China Daily](#), July 5, 2021

He pointed out that all the countries:(i) need to strengthen international cooperation on COVID response;(ii) pursue inclusive and sustainable development (iii)deepen regional economic integration;(iv) seize opportunities from scientific and technological innovation.<sup>52</sup>



Chinese President Xi Jinping delivers a speech at the ceremony marking the centenary of the Communist Party of China, July 1, 2021. Source: Xinhua

## Trade and Economy

Marking a historical milestone, the [Communist Party of China](#) (CPC) celebrated the centenary of its founding on July 1.<sup>53</sup> In his address to the nation, the Chinese President rallied the CPC for the “unstoppable” [pursuit of national rejuvenation](#), as a “historical inevitability”.<sup>54</sup> President Xi stressed the importance of “firmly upholding party leadership” as it is the foundation and

<sup>52</sup> “Full text: Remarks by Xi Jinping at the APEC Informal Economic Leaders' Retreat,” [Xinhua](#), July 16, 2021

<sup>53</sup> “Xi rallies Party for “unstoppable” pursuit to national rejuvenation as CPC celebrates centenary”, [The National People's Congress of the People's Republic of China](#), July 2, 2021.

<sup>54</sup> Ibid.

[lifeblood of the CPC](#) and the Chinese nation as a whole.<sup>55</sup> He urged the CPC to continue to uphold and develop “socialism with Chinese characteristics”, while declaring that the party has “created a new model for human civilization”.<sup>56</sup> Without any reference to the US or the West, President Xi stressed that “Chinese nation will never be bullied, oppressed and subjugated by foreign powers”.<sup>57</sup> “Anyone who would attempt to do so will find themselves on a [collision course with a great wall of steel](#) forged by over 1.4 billion Chinese people”.<sup>58</sup> While underscoring the importance of the country’s military modernization, President Xi showed strong resolve to defeat any attempt toward “Taiwan independence”.<sup>59</sup>

A commentary on People’s Daily celebrating the CPC centenary lauded realisation of the first centenary goal of building a [moderately prosperous society](#) [abolition of absolute poverty] while asserting that China was now marching toward the second centenary goal of building a great modern socialist country.<sup>60</sup> Importantly, it stressed that “pursuing [common good for the world](#) is China’s mission and undertaking”.<sup>61</sup> ‘Qiushi Journal’, the flagship magazine of the CPC Central Committee published an article by President Xi Jinping on [party history learning](#).<sup>62</sup> It also highlighted 10 core principles of the [Chinese President’s thought on diplomacy](#).<sup>63</sup>

China’s [Gross Domestic Product](#) (GDP) grew by 7.9 percent in the second quarter of 2021 down from 18.3 percent in the first.<sup>64</sup> However, Chinese state media chose to highlight an increase in the country’s GDP by 12.7 percent from the previous year (in the first half) as a sign of sustained and steady economic recovery.<sup>65</sup> Qiushi Journal highlighted a record high in China’s total [foreign trade](#) which grew by 27.1 percent in the first half of this year to 18.07 trillion yuan (about USD 2.79 trillion).<sup>66</sup> Based on this data, Global Times asserted that

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<sup>55</sup> Ibid.

<sup>56</sup> Ibid.

<sup>57</sup> Ibid.

<sup>58</sup> Ibid.

<sup>59</sup> Ibid.

<sup>60</sup> Solving absolute poverty a great and glorious accomplishment of Chinese nation, [People’s Daily](#), July 5, 2021.

<sup>61</sup> He Yin, “China makes pursuing common good for world its mission and undertaking”, [People’s Daily](#), July 3, 2021.

<sup>62</sup> “Xi’s article on learning Party history published”, [People’s Daily](#), July 3, 2021.

<sup>63</sup> “Ten core principles of Xi Jinping Thought on Diplomacy”, [Qiushi Journal](#), July 16, 2021.

<sup>64</sup> “China’s latest GDP figures frustrate US containment: Global Times editorial”, [Global Times](#), July 15, 2021.

<sup>65</sup> Ibid.

<sup>66</sup> China’s semi-annual data points to solid recovery, shared growth, [Qiushi Journal](#), July 16, 2021.

"China ["containment freaks"](#) in the US have been left frustrated".<sup>67</sup> Notwithstanding the above, there are signs that [China's trade growth](#) has slowed down and will continue to do so in the second half of this year.<sup>68</sup> Echoing similar concerns, Chinese Premier Li Keqiang stressed that, country's economic performance has been within expectations but a "complex and [uncertain domestic and external environment](#)" continues to persist.<sup>69</sup> He particularly highlighted the plight of "small and medium enterprises (SMEs) that are facing difficulties due to rising commodity prices".<sup>70</sup> In light of this, the People's Bank of China (PBOC) slashed the banking systems' [reserve requirement ratio](#) (RRR) by 0.5 percentage points releasing CNY 1 trillion (USD 154 billion) worth of liquidity into the Chinese banking system to support small businesses.<sup>71</sup> Underscoring concerns of a recession, a Chinese economist pointed that the country was at a "late stage of stagflation and in the early recession of the economic cycle".<sup>72</sup> "The Chinese [economy will slow down](#) quarter by quarter with real estate and exports causing a biggest drag on the economy".<sup>73</sup>

Amid the intensification of global 'trade frictions', China released its latest [commerce five year plan](#) (2021-2025) with a focus on "import diversification" [especially in agricultural goods and energy], and "greater scrutiny of foreign direct investment" (FDI) on national security grounds.<sup>74</sup> Beijing will push developed countries to "relax export controls against China", reduce the size of its negative investment list and build pilot zones to facilitate trade.<sup>75</sup> Importantly, China issued guidelines on developing [10,000 "little giants"](#) - specialized small and medium sized firms (SME's) in 'advanced manufacturing' to close the gap with the US, Japan, and Germany.<sup>76</sup> Further, the Chinese government will develop Shanghai, Beijing, Guangzhou, Tianjin, and

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<sup>67</sup> "China's latest GDP figures frustrate US containment: Global Times editorial", [Global Times](#), July 15, 2021.

<sup>68</sup> Andrew Mullen and Orange Wang, "China trade 'likely to slow down' in second half of year despite strong imports, exports in June", [South China Morning Post](#), July 13, 2021.

<sup>69</sup> Chinese premier stresses range-based macroeconomic regulation, employment, [Xinhua](#), July 14, 2021.

<sup>70</sup> Ibid.

<sup>71</sup> Frank Tang and Orange Wang, "China 'recession' risk sparks 'unease' in economic circles, with warnings of quarterly slowdowns", [South China Morning Post](#), July 12, 2021.

<sup>72</sup> Ibid.

<sup>73</sup> Ibid.

<sup>74</sup> Orange Wang, "China flags import diversification, greater scrutiny of foreign investment in latest five-year commerce plan", [South China Morning Post](#), July 9, 2021.

<sup>75</sup> Ibid.

<sup>76</sup> "China to develop 10,000 'little giants' in push for advanced manufacturing", [Global Times](#), July 05, 2021.

Chongqing into “[international consumption centre cities](#)” serving the country’s new development paradigm.<sup>77</sup>

Even as China adopts a new development paradigm, concerns have been raised about slowing [state-owned enterprises reforms](#).<sup>78</sup>

The People’s Bank of China (PBOC) released a new [white paper on ‘Digital Yuan’](#) (e-CNY) stating that Beijing will “steadily push forward pilot schemes of e-CNY”.<sup>79</sup> However, PBOC did not present any specific timetable for the final launch of the digital currency.<sup>80</sup> It clarified that e-CNY is “[mainly a substitute for cash](#)” in circulation and will co-exist with physical yuan.<sup>81</sup> Thus far e-CNY has been applied to various scenarios covering utility payments, catering services, transportation, shopping, and government services.<sup>82</sup>

Importantly, [Chinese Yuan internationalisation](#) is on track as in the “first quarter of 2021 various central banks around the world held USD 287.46 billion worth of Chinese Yuan in official foreign exchange reserves, the highest level since the fourth quarter of 2016”.<sup>83</sup> Further, the Russian sovereign wealth fund has reportedly “brought its USD holdings to zero” and [boosted Yuan and Euro denominated holdings](#) “as part of Moscow’s efforts to reduce its vulnerability to US sanctions”.<sup>84</sup>

Shanghai’s [Pudong New Area](#) will seek to rival London and Manhattan (New York) as an international financial centre.<sup>85</sup> It will strive to become a global hub for yuan’s offshore transactions to promote Chinese currencies internationalisation while attracting MNC’s to set up their headquarters in Pudong.<sup>86</sup>

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<sup>77</sup> “China announces five leading cities in developing int’l consumption centers”, [People’s Daily](#), July 20, 2021.

<sup>78</sup> “China jobs: is Beijing’s retreat from state-owned enterprise reform holding back job growth?”

<sup>79</sup> Amanda Lee, “China Focus: China to steadily advance digital yuan pilots”, [Xinhua](#), July 17, 2021, [South China Morning Post](#), July 27, 2021.

<sup>80</sup> Ibid.

<sup>81</sup> Ibid.

<sup>82</sup> Ibid.

<sup>83</sup> “Central banks up reserves of RMB to a high”, [People’s Daily](#), July 2, 2021.

<sup>84</sup> Karen Yeung, “China welcomes bigger role for yuan in de-dollarised Russian sovereign wealth fund”, [South China Morning Post](#), July 10, 2021.

<sup>85</sup> Qi Xijia, “China to build Pudong into global financial hub on par with London, Manhattan”, [Global Times](#), July 22, 2021.

<sup>86</sup> Ibid.

Global Times refuted reports in foreign media about the [power crisis in the country](#).<sup>87</sup> “[Power] supply crunch [no doubt] affected certain areas of the country, but no widespread shortage [was reported]”, it added.<sup>88</sup> Contrary to this, Xinhua highlighted a statement by National Development and Reform Commission about “China ramping up efforts to [ensure adequate power supply](#) amid rising electricity demand”.<sup>89</sup>

China's [national carbon market](#) started online trading, a significant step in reducing the country's carbon emissions.<sup>90</sup> It is seen as a “key component of Beijing's plans to peak carbon emissions by 2030 and achieve carbon neutrality by 2060”.<sup>91</sup>

President Xi Jinping chaired the 20th meeting of the central committee for [deepening overall reform in the country](#).<sup>92</sup> He stressed “new development paradigm”, “seed industry vitalization”, “Qinghai-Tibet plateau development”, and “innovation in trade and investment”.<sup>93</sup> Lately, there has been increasing emphasis on Tibet Development with a number of projects being undertaken.

In terms of infrastructure development, China unveiled the world's first [600 km/h high-speed maglev train](#) in Shandong province.<sup>94</sup> This bullet train will cut door-to-door travel time between Beijing and Shanghai (approximately 1,454 km) from the current 4.5/5.5 hours to 2.5 hours.<sup>95</sup>

Expressing his displeasure President Xi stressed that the [Chinese bureaucracy](#) is lagging in taking any initiative on its own.<sup>96</sup> President Xi told an internal party meeting that “Some [in bureaucracy] only get moving when they receive written orders/edicts issued by the leadership and show little initiative without such instructions”.<sup>97</sup> Analysts believe President Xi's style of governance based

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<sup>87</sup> “Chinese firms, experts say there is ‘no power crisis’ in the country”, [Global Times](#), July 12, 2021.

<sup>88</sup> Ibid.

<sup>89</sup> China ramps up efforts to ensure adequate power supply, [Xinhua](#), July 19, 2021.

<sup>90</sup> China's national carbon market starts online trading, [Xinhua](#), July 16, 2021.

<sup>91</sup> Ibid.

<sup>92</sup> “Xi stresses new development paradigm, seed industry vitalization, Qinghai-Tibet Plateau development”, [People's Daily](#), July 10, 2021.

<sup>93</sup> Ibid.

<sup>94</sup> Du Yifei, “China unveils world's first 600 km/h high-speed maglev train”, [People's Daily](#), July 22, 2021.

<sup>95</sup> Ibid.

<sup>96</sup> Jun Mai, “Xi Jinping asks: why do Chinese officials lack initiative and wait for orders from the top?”, [South China Morning Post](#), July 11, 2021.

<sup>97</sup> Ibid.

on consolidating his control over the CPC has made sections of Chinese bureaucracy cautious and risk-averse.<sup>98</sup>

On US-China trade relations, US Treasury Secretary Janet Yellen maintained that the US has no intention for the present to resume "[US-China Strategic and Economic Dialogue](#) (S&ED)" suspended by former US President Donald Trump.<sup>99</sup> Chinese analysts too echoed similar sentiments, underscoring the present nature of bilateral trade relations as "competition over cooperation".<sup>100</sup> Even as trade frictions continue to grow, former US Secretary of State Henry Kissinger urged both countries to "settle differences through [dialogue and mutual understanding](#)".<sup>101</sup> Using this, Xinhua commentary urged Washington to "learn from the [wisdom of their predecessors](#) [Kissinger] and carry forward the political wisdom and foresight to work with Chinese counterparts and navigate the bilateral relations through the current rough waters".<sup>102</sup>

## Defence and Security

Japan issued [defence white paper 2021](#) claiming that China's military development "lacks transparency" and Beijing was "attempting to change the status quo through coercion" in the East and the South China Sea.<sup>103</sup> The white paper importantly underscored the Taiwan issue as being important for "Japan's security and the stability of the international community".<sup>104</sup> Chinese Ministry of National Defence (MND) described these statements as "false accusations damaging bilateral relations" adding that Japan is playing up the so-called "China threat" and grossly interfering in China's internal affairs.<sup>105</sup> Chinese analysts asserted that "Japan is trying to use the Taiwan question to normalize its military deregulation and [break its pacifist constitution](#)". "If Japan decides to militarily interfere in Taiwan question or serves as a military base for the US to interrupt China's national reunification, it will be a target of China's military strikes".<sup>106</sup>

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<sup>98</sup> Ibid.

<sup>99</sup> Cissy Zhou, "US-China economic talks 'infinitely far away' with 'emphasis on competition over cooperation'", [South China Morning Post](#), July 19, 2021.

<sup>100</sup> Ibid.

<sup>101</sup> "U.S., China should settle differences through dialogue, mutual understanding: Kissinger", [People's Daily](#), July 10, 2021.

<sup>102</sup> "Commentary: Why Kissinger's secret China visit still matters 50 years later", [People's Daily](#), July 9, 2021.

<sup>103</sup> "False accusations against China by Japan's defense white paper and officials damage bilateral relations: Defense spokesperson", [Ministry of National Defense of the People's Republic of China](#), July 20, 2021.

<sup>104</sup> Ibid.

<sup>105</sup> Ibid.

<sup>106</sup> Xu Keyue, "Japan would 'lose badly' if it defends Taiwan secessionists", [Global Times](#), July 13, 2021.

Chinese Defence Minister Gen. Wei Fenghe addressed the 18th session of defence ministers of the [Shanghai Cooperation Organization](#) (SCO).<sup>107</sup> He reiterated the country's determination to "never compromise or make concessions on issues concerning Taiwan, Hong Kong, Xinjiang, Tibet, and the South China Sea" as Beijing has the confidence and capability to "withstand all external pressure" to safeguard national interests.

China's [military modernization drive](#) has gathered momentum with satellite images showing considerable progress in the development of the country's type 003 aircraft carrier'.<sup>108</sup> Analysts highlighted that "type 003 would be equipped with world's most advanced electromagnetic catapults to launch the J-15 jets, which will remain in service for several years because Chinese engineers have so far failed to deliver a next-generation carrier-based fighter jet".<sup>109</sup> Another observer noted that "China could be developing a new carrier-based fighter jet, the J-18 as PLA is not happy with FC-31 or the J-20 as both are failing to meet technological and technical requirements to be next-generation carrier-based catapult-launching aircrafts".<sup>110</sup> Type 052D [destroyer Kaifeng](#) has also been commissioned by the PLA Navy.<sup>111</sup>

China's Western and Southern theater commands, Ground Force, and Strategic Support Force have [gained new commanders](#) as the military promoted four senior officials to the rank of general.<sup>112</sup> In a break with PLA's tradition, "those promoted have reportedly risen in rank in less than two years after their previous promotion" and all are under 60 years of age.<sup>113</sup> One of the promoted generals is 'Xu Qiling' - chief of the PLA Western Theatre Command. Chinese media specifically highlighted Xu's role in the crackdown on the Tibetan uprising in 1959 and the Tiananmen Square protests in 1989.<sup>114</sup>

Amidst increasing geopolitical uncertainties and chances of conflict escalation, Beijing reportedly for the first time issued draft regulations for [wartime conscription](#). Retired military personnel would be the top priority for

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<sup>107</sup> "Chinese defense minister vows no concession in protecting national interests", [Xinhua](#), July 29, 2021.

<sup>108</sup> Minnie Chan, "China's third aircraft carrier could launch this year – but still needs the right jets", [South China Morning Post](#), July 16, 2021.

<sup>109</sup> Ibid.

<sup>110</sup> Ibid.

<sup>111</sup> Liu Xuanzun, "Type 052D destroyer Kaifeng enters PLA naval service, celebrates CPC centennial with drill", [Global Times](#), July 4, 2021.

<sup>112</sup> Minnie Chen, "China's military modernisation continues with new commanders' swift promotions", [South China Morning Post](#), July 6, 2021.

<sup>113</sup> Ibid.

<sup>114</sup> Ibid.



such conscription.<sup>115</sup> The CMC also issued regulations to forge [closer military-civil relations](#) as a foundation to win wars.<sup>116</sup>

US-China tensions in the South China Sea (SCS) show no signs of abating. On the fifth anniversary of the South China Sea arbitration ruling (July 12), “PLA expelled [US guided missile destroyer USS Benfold](#) illegally trespassing into China's territorial waters of Xisha Islands”.<sup>117</sup> PLA spokesperson asserted that “US action seriously infringed the international law, calling it as an ironclad proof of the United States’s hegemony resulting in the militarization of the South China Sea”. Meanwhile, the US reiterated its intent to invoke the [‘US-Philippine mutual defense pact’](#) in the event of any Chinese military action against “Philippine assets in the region”.<sup>118</sup> Chinese diplomats and scholars slammed Washington as it “ignored facts”, “violated and distorted international law”, and “went against long-standing public commitment by the US not to take a position on the issue of sovereignty in the SCS”.<sup>119</sup> Importantly, it asserted that “the SCS Arbitration ruling was born out of political manipulation by US-led western powers, serving as a tool to contain and smear China under the guise of international law”.<sup>120</sup>

To counter continuing US military interventions in Taiwan straits, PLA held joint [amphibious landing exercises](#) in waters off East China's Fujian province.<sup>121</sup> PLA has so far held [20 naval exercises](#) involving drills to capture Taiwan in the first half of 2021.<sup>122</sup> Chinese military experts warned “US and Taiwan to stop playing their “salami slicing” tactics challenging Chinese mainland”.<sup>123</sup> Maintaining that, “PLA’s exercises should be seen as a warning and a deterrent”.<sup>124</sup> In light of this, a Global Times editorial warned “US and Taiwan not to underestimate [China’s determination](#) and will to punish them for their provocations”.<sup>125</sup> Despite these provocations and repeated intrusions, Gen. Mark Milley, Chairman, US Joint Chiefs of Staff does not see Beijing attempting

<sup>115</sup> Kristin Huang, “China spells out wartime conscription plans for first time”, [South China Morning Post](#), July 7, 2021.

<sup>116</sup> “China issues regulation on promoting military-civil relations”, [Xinhua](#), July 20, 2021.

<sup>117</sup> “US a security risk maker in South China Sea: PLA Spokesperson”, [Ministry of National Defense of the People's Republic of China](#), July 12, 2021.

<sup>118</sup> Xu Keyue and Liu Xuanzun, “PLA expels destroyer on South China Sea arbitration anniversary, as US acting like disrupter in the past 5 years”, [People’s Daily](#), July 13, 2021.

<sup>119</sup> Ibid.

<sup>120</sup> Ibid.

<sup>121</sup> “PLA holds beach assault drills after US military aircraft's Taiwan island landing”, [People’s Daily](#), July 19, 2021.

<sup>122</sup> Kristin Huang, “Chinese military drills simulate amphibious landing and island seizure in battle conditions”, [South China Morning Post](#), July 28, 2021.

<sup>123</sup> Ibid.

<sup>124</sup> Ibid.

<sup>125</sup> “US, Taiwan could face sudden blow at any time in Taiwan Straits: Global Times editorial”, [Global Times](#), July 17, 2021.

a [military takeover of Taiwan](#) within the next one to two years.<sup>126</sup> He stressed that “invasion aiming to seize an island as big as Taiwan, with its level of defence capability, would be extraordinarily complicated and costly”.<sup>127</sup> In contrast, the US Indo-Pacific Command chief Admiral John Aquilino sees the [Chinese invasion of Taiwan](#) as “much closer in time than most think” without specifying any time frame.<sup>128</sup>

There have been reports in Western media about China building a vast network of [nuclear missile silos](#) in its northwestern desert.<sup>129</sup> Chinese military analysts dismissed these reports as unreliable because “silo technology had long been obsolete and China was already using mobile launchers”.<sup>130</sup> However, they firmly supported Beijing’s nuclear capability expansion prioritising sea, land, and space-based nuclear vectors.<sup>131</sup>

US Indo-Pacific Command announced naval exercise ‘[Pacific Iron 2021](#)’ with the deployment of a high number of F-22 raptors.<sup>132</sup> Hong Kong based Chinese analysts claimed that “main reason for large scale deployment of F-22 Raptors in the Western pacific is to send a message of deterrence and prevent advanced strategic bombers [Xian H-20] from carrying out possible strikes on targets in the Second Island chain”.<sup>133</sup> Further, as the US Air Force revealed an artist rendering of the long range bomber, Chinese media asserted that it was part of efforts to counter threats posed by China and Russia’s military modernization.<sup>134</sup> It was also stressed that “B-21 Raider’s development could have been accelerated by PLA’s H-20 project”.<sup>135</sup>

The importance of the Middle East and Africa is growing in Chinese strategic calculus. Chinese State Councillor and Foreign Minister [Wang Yi visited Syria](#), Egypt, and Algeria.<sup>136</sup> Chinese state media described the visit as “underscoring Beijing’s independent foreign policy in sharp contrast to the West and sending a positive message to the region in countering the negative influence of the

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<sup>126</sup> “China ‘unlikely’ to try taking Taiwan in next two years: US general”, [South China Morning Post](#), June 24, 2021.

<sup>127</sup> Ibid.

<sup>128</sup> Ibid.

<sup>129</sup> Liu Zhen and Kristin Huang, “Is China building a vast network of nuclear missile silos?”, [South China Morning Post](#), July 2, 2021.

<sup>130</sup> Ibid.

<sup>131</sup> Ibid.

<sup>132</sup> Kristin Huang, “China-US tension: American naval drill with dozens of F-22s ‘may be aimed at next-gen Chinese bombers”, [South China Morning Post](#), July 19, 2021.

<sup>133</sup> Ibid.

<sup>134</sup> Minnie Chan, “US gives glimpse of new B-21 bomber amid China, Russia threats”, [South China Morning Post](#), July 9, 2021.

<sup>135</sup> Ibid.

<sup>136</sup> Fan Anqi and Chen Qingqing, “Chinese FM’s 2nd visit to Mideast in half a year highlights significance of China-Middle East ties”, [Global Times](#), July 18, 2021.

US".<sup>137</sup> In another important development, the [Tanzanian government is likely to revive a port](#) project on the East Coast of Africa involving China.<sup>138</sup> This project had stalled due to "Tanzania's frustration over the conditions China had presented, including a request that Tanzania not question who invests in 'Bagamoyo' once the port was operational".<sup>139</sup>

## Technology

As the US-China technology competition has begun to heat up, Beijing issued the [Measures for Cybersecurity' Review](#).<sup>140</sup> "Chinese companies that possess the personal data of at least one million users must apply for a review by the Cybersecurity Review Office, if they plan an Initial Public Offering (IPO) in a foreign market".<sup>141</sup> It will assess whether there is any threat of state's core data being transferred to foreign powers illegally. In line with this policy, China for the "first time invoked national security clause during the cyber security review of [ride-hailing giant Didi Chuxing](#)" that started trading at New York Stock Exchange (NYSE) on June 30.<sup>142</sup> Analysts stressed that "companies like Didi have a lot of basic data on China's roads, transport as well as consumption habits that is related to national security".<sup>143</sup>

Owing to Beijing's big-tech crackdown, the [value of Chinese companies](#) listed in the US has been wiped out by around USD 770 billion in the last five months.<sup>144</sup> The latest slump comes amid the Chinese state council's [overhaul of the country's private tutoring](#) (off-campus education) industry including booming 'edTech' companies.<sup>145</sup> New guidelines stipulate that "curriculum subject-tutoring institutions are not allowed to go public [stock market listing] for financing; listed companies should not invest in the institutions, and foreign capital is barred from such institutions".<sup>146</sup> Amid panic share sell-off, state media assured China's 189 million stock traders that "there is [no systemic risk](#)" and "stock valuations are expected to rebound".<sup>147</sup> Global Times report

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<sup>137</sup> Ibid.

<sup>138</sup> Ken Moriyasu, "Tanzania to revive \$10bn Indian Ocean port project with China", [Nikkei Asia](#), June 27, 2021.

<sup>139</sup> Ibid.

<sup>140</sup> Iris Deng, "Beijing tightens grip on China tech with proposal for cybersecurity reviews on all foreign public listings", [South China Morning Post](#), July 10, 2021.

<sup>141</sup> Ibid.

<sup>142</sup> Tracy Qu, "Didi cybersecurity review expected to set precedent for future 'national security' probes into data collection", [South China Morning Post](#), July 5, 2021.

<sup>143</sup> Ibid.

<sup>144</sup> "China stocks see biggest slump in US since 2008 financial crisis", [BBC](#), July 27, 2021.

<sup>145</sup> China issues guidelines to ease burden on young students, [The State Council of the People's Republic of China](#), July 24, 2021.

<sup>146</sup> Ibid.

<sup>147</sup> Zhang Shidong "China's state media moves to reassure rattled investors after rout wiped US\$574 billion off stock market", [South China Morning Post](#), July 27, 2021.

lauded this reform as crucial to “shifting private education industry [from profit to teaching](#)”.<sup>148</sup>

Chinese [semiconductor output](#) hit a record high in June.<sup>149</sup> The country’s “chip output surpassed 30 billion units in June, a 44 percent increase over the previous year”.<sup>150</sup> Despite the increase, “domestic production remains insufficient to meet local semiconductor demand”.<sup>151</sup> In the first six months of 2021, “China imported more than 310 billion semiconductor devices, a 29 percent increase from the same period in 2020”.<sup>152</sup> Increasing foreign dependency highlights the importance of President Xi’s semiconductor self-sufficiency drive. Beijing continues to urge the country’s technology firms to “[seize overseas opportunities in digital infrastructure](#)”.<sup>153</sup>



Virtual Reality (VR) device on display at the World Artificial Intelligence Conference (WAIC) 2021 held in Shanghai, July 8, 2021. Source: Xinhua

US-China cyberspace relations continued to remain stressed. Washington and its allies accused China of sponsoring a massive hack of the [Microsoft](#)

<sup>148</sup> Zhang Dan and Tao Mingyang, “China bars private education firms from raising money through IPOs, aims to shift industry focus from profit to teaching”, [Global Times](#), July 25, 2021.

<sup>149</sup> Josh Ye, “China’s semiconductor output hits record high as Beijing boosts local production amid intensifying US-China tech war”, [South China Morning Post](#), July 15, 2021.

<sup>150</sup> Ibid.

<sup>151</sup> Ibid.

<sup>152</sup> Ibid.

<sup>153</sup> Orange Wang, “US-China tech war: Beijing calls on Chinese firms to ‘seize overseas opportunities’ in race for self-reliance”, [South China Morning Post](#), July 26, 2021.

[Exchange email software](#).<sup>154</sup> Beijing rejected these claims and in turn accused the US of being the “world’s largest source of cyber-attacks”.<sup>155</sup>

Shanghai hosted [China's largest technology gathering](#) - World Artificial Intelligence Conference 2021' (WAIC) where countries tech giants such as Baidu, Huawei, and Tencent highlighted their plans for the coming years.<sup>156</sup> “Baidu plans to launch ‘self-driving vehicles’ in about 30 Chinese cities in the next two or three years”.<sup>157</sup> Huawei’s focus is on “construction of city infrastructure based on AI-driven calculation centre”.<sup>158</sup> Tencent, on the other hand, plans to launch an “exploration in partnership with China's National Astronomical Observatories to search for pulsars with help of AI technologies”.<sup>159</sup> Using this, a Global Times report asserted that “China is forcefully pushing AI industries, in their efforts to achieve industrial upgrading and shake off dependence on foreign countries”.<sup>160</sup> According to a report released at WAIC, China ranked second in ‘[Global AI Innovation Index](#)’ behind only the US.<sup>161</sup> Further, the Chinese government revealed a stable growth in the country’s [intellectual property](#) (IP) development in the first half of this year.<sup>162</sup>

In terms of telecommunications networks, Chinese governments’ data showed [5G terminal connections](#) reaching 365 million from 310 million in May. 5G base stations have also increased from 819,000 in May to 961,000.<sup>163</sup>

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<sup>154</sup> Amber Wang, “US, China trade hacking claims on new cyberspace rivalry front”, [South China Morning Post](#), July 20, 2021.

<sup>155</sup> Ibid.

<sup>156</sup> “From AI calculation, self-driving to astronomy, Chinese tech giants announce plans at 2021 WAIC”, [Global Times](#), July 8, 2021.

<sup>157</sup> Ibid.

<sup>158</sup> Ibid.

<sup>159</sup> Ibid.

<sup>160</sup> Ibid.

<sup>161</sup> “China ranks second in Global AI Innovation Index: report”, [People’s Daily](#), July 10, 2021.

<sup>162</sup> “China sees stable intellectual property growth in the first half year”, [CGTN](#), July 15, 2021.

<sup>163</sup> “China reports expansion in 5G network coverage”, [People’s Daily](#), July 19, 2021.



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