



Delhi Policy Group

Advancing India's Rise as a Leading Power

CHINA MONITOR

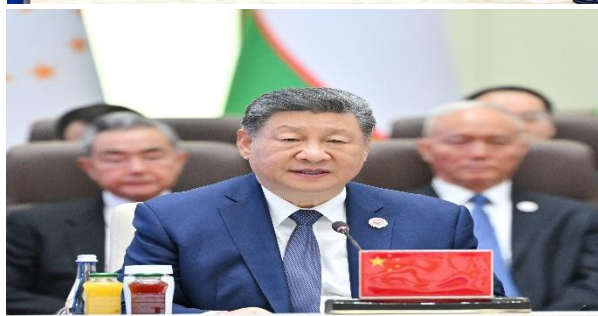
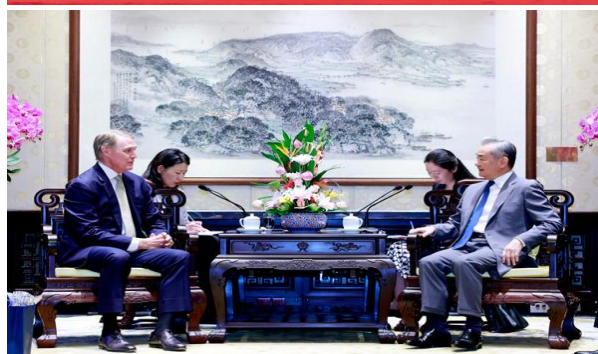
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ABOUT US

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China Monitor

This monthly publication features key external and internal developments related to China during the month and is compiled by our research team comprising Ambassador Biren Nanda, Senior Fellow and Mr. Sanket Joshi, Research Associate, from open-source reports and publications. Your comments and feedback may be addressed to the author at biren.nanda@dpg.org.in. To subscribe, please [click here](#).

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Cover Images:

1. On August 24-25, 2026, Chinese Foreign Minister, Wang Yi, and India's National Security Advisor, Ajit Doval, held the 25th round of the Special Representatives' Talks on the India-China Boundary Question in Beijing. Source: [Xinhua News Agency](#)
2. Chinese Foreign Minister Wang Yi met with U.S. Ambassador to China David Perdue in Beijing on August 27, 2026. Source: [MFA PRC](#)
3. Chinese President Xi Jinping addressed the 26th Meeting of the Council of Heads of State of the Shanghai Cooperation Organisation (SCO) in Bishkek, Kyrgyzstan, on September 1, 2026. Source: [X/SpoxCHN_MaoNing](#)

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Abstract

On August 24-25, 2026, Chinese Foreign Minister Wang Yi and India's National Security Advisor Ajit Doval held the 25th round of the Special Representatives' Talks on the India-China Boundary Question in Beijing. Both sides noted progress made in implementing the consensus reached between Prime Minister Modi and President Xi at their meetings in Kazan (October 2024) and Tianjin (August 2025). Major issues discussed in the meeting included seeking a political settlement of the boundary question, the importance of maintaining peace and tranquillity in border areas for the overall development of bilateral relations, and regional and international issues of mutual interest.

Earlier, on August 6, 2026, India and China held the 36th Meeting of the Working Mechanism for Consultation and Coordination on India-China Border Affairs (WMCC) in New Delhi. The two sides reviewed the situation along the LAC and agreed that maintaining peace and tranquillity in the border areas is essential for the overall development of bilateral relations. Beijing and New Delhi would continue to use existing diplomatic and military channels for communication, including the WMCC, local-commander level talks, and other agreed mechanisms, to resolve outstanding issues and avoid misunderstanding and miscalculation along the border.

On August 7, 2026, the Government of India identified a total of twenty-seven (27) standard names for places/features on the Survey of India map of the state of Arunachal Pradesh. Reacting to this, on August 10, 2026, China reiterated that "Zangnan (Arunachal Pradesh) is China's territory" and that Beijing "does not recognise the so-called Arunachal Pradesh illegally set up by India". Reacting sharply, India asserted that "Arunachal Pradesh is an inalienable and integral part of India and that nothing can change this indisputable reality".

The tensions between the U.S. and China continued to mount over trade and technology issues. On August 13, 2026, Mr. Peter Navarro, Senior Counsellor for Trade and Manufacturing at the White House, released a report titled 'The Great Transshipment Scam', in which the U.S. accused over 40 countries of enabling Chinese goods to bypass punitive American tariffs. Rejecting this report, China's Ministry of Commerce accused the U.S. of fabricating a false narrative concerning a so-called Shadow Transshipment Network, describing this as an act of unilateralism and protectionism that is aimed at suppressing and blocking Chinese

exports.

Meanwhile, on August 6, 2026, the U.S. announced a 15 percent tariff on imports of Polysilicon and related products, targeting China's dominance in key materials used in solar panels and semiconductor chip manufacturing. In a pushback against the new U.S. tariffs, the Chinese Embassy in Washington accused the Trump administration of "overstretching the concept of national security" and "abusing state power to go after Chinese businesses".

On August 10, 2026, Deutsche Bank announced that the People's Bank of China (PBOC) had appointed it as the Renminbi (Chinese Yuan) clearing bank for Europe. Deutsche Bank is reportedly the first bank in Europe to receive this designation, strengthening China-EU financial connectivity. In light of this, analysts noted that PBOC authorising Deutsche Bank to serve as Renminbi clearing bank in Europe marks a critical milestone in the Yuan's internationalisation.

China-Japan tensions continued. On August 4, 2026, China's Ministry of National Defence rejected Japan's Defence White Paper as an attempt to exaggerate the so-called "China threat" rhetoric to ease military build-up restrictions. As Tokyo described China's military activities as Japan's "greatest strategic challenge ever", Beijing warned that Japan's false accusations is a classic case of "a thief crying stop thief".

Amidst this acrimony, Russian President Vladimir Putin visited the disputed southern Kuril Islands, located northeast of Hokkaido, on August 13, 2026, ahead of the August 15 anniversary of Japan's surrender in World War II. This signalled a China-Russia alignment to pressure Japan.

President Xi addressed the 26th Meeting of the Council of Heads of State of the Shanghai Cooperation Organisation (SCO) in Bishkek, Kyrgyzstan, on September 1, 2026. In his remarks, Xi stressed that "transformation not seen in a century is accelerating across the globe", urging SCO member-states to adhere to the "Shanghai Spirit" of mutual trust, mutual benefit, equality, consultation, respect for diversity of civilisations, and the pursuit of common development.

On July 31, 2026, China's Defence Minister Dong Jun, in his remarks at a reception marking the 99th anniversary of the founding of the PLA, reiterated Beijing's resolve to thwart "Taiwan independence" separatist forces and their external

supporters. He urged the PLA to maintain a state of readiness to deal with any contingency and continue advancing high-quality modernisation of the armed forces.

Former Chinese Premier Zhu Rongji, who played a crucial role in China's market reforms and opening up in the 1990s, passed away at the age of 98 in Beijing on August 12, 2026. In an obituary, the CPC Central Committee remembered the late Zhu Rongji as an excellent Party member and a statesman who led the Party and the nation to new heights of modernisation by adhering to the principles outlined by Deng Xiaoping in his 1992 Southern China tour.

Foreign and Security Policy

I. China-India Relations

On August 24-25, 2026, Chinese Foreign Minister, Wang Yi, and India's National Security Advisor, Ajit Doval, held the 25th round of the Special Representatives' Talks on the India-China Boundary Question in Beijing. Both sides noted progress made in implementing the consensus reached between Prime Minister Modi and President Xi at their meetings in Kazan (October 2024) and Tianjin (August 2025).¹ They also expressed satisfaction at the resumption of people-to-people and cross-border exchanges, including the Kailash Mansarovar Yatra and border trade.² Major issues discussed in the meeting included seeking a political settlement of the boundary question, the importance of maintaining peace and tranquillity in border areas for the overall development of bilateral relations, and regional and international issues of mutual interest.³

Chinese Foreign Minister Wang Yi, for his part, reiterated that Beijing and New Delhi should develop bilateral relations from a strategic and long-term perspective, be good neighbours, friends and partners, and help each other succeed by realising "the Dragon-Elephant tango".⁴ He stressed that China and India are implementing the consensus reached at the special representatives' meeting in an orderly manner and that the two sides should "place the border question at an appropriate position in bilateral ties".⁵ According to the Chinese readout of the meeting, India and China had agreed on an eight-point consensus on the boundary issue.⁶ This included advancing consultations for resolving border issues in accordance with the 2005 Agreement on Political Guiding Principles for Resolving the China-India Border Issue.⁷ Under the WMCC mechanism, both sides agreed to establish a border delimitation expert group and a border control working group to discuss border demarcation and border control

¹ "25th Round of the Special Representatives Talks on the India-China Boundary Question", MEA India, August 25, 2026

² Ibid.

³ Ibid.

⁴ "China, India hold special representatives talks on boundary question in Beijing", Xinhua, August 26, 2026

⁵ Ibid.

⁶ "The 25th meeting of the China-India Special Representatives on the Border Issue reached a consensus on eight outcomes", MFA PRC, August 26, 2026

⁷ Ibid.

work.⁸ To improve border control, both sides agreed to establish border defence military liaison hotlines in the eastern and middle sections of the LAC.⁹

Earlier, on August 6, 2026, India and China held the 36th Meeting of the Working Mechanism for Consultation and Coordination on India-China Border Affairs (WMCC) in New Delhi. The Indian delegation was led by Mr. Sujit Ghosh, Joint Secretary – East Asia at MEA, while the Chinese delegation was led by Ms. Hou Yanqi, Director General of the Boundary and Oceanic Affairs at MoFA.¹⁰ The two sides reviewed the situation along the Line of Actual Control (LAC) and agreed that maintaining peace and tranquillity in the border areas is essential for the overall development of bilateral relations.¹¹ They agreed to continue using existing diplomatic and military channels for communication, including the WMCC, local-commander level talks, and other agreed mechanisms, to resolve outstanding issues and avoid misunderstanding and miscalculation along the LAC.¹² Amidst India's concerns over China's construction of a large dam on the Yarlung Tsangpo River (Brahmaputra River) in Tibet, New Delhi urged Beijing to convene an early meeting of the Expert Level mechanism on trans-border rivers and resume sharing technical details of upstream projects.¹³

Meanwhile, on August 7, 2026, the Government of India identified a total of twenty-seven (27) standard names for places/features on the Survey of India map of the state of Arunachal Pradesh.¹⁴ Reacting to this, on August 10, 2026, China's Ministry of Foreign Affairs reiterated that "Zangnan (Arunachal Pradesh) is China's territory" and that Beijing "does not recognise the so-called Arunachal Pradesh illegally set up by India". The Chinese side asserted that "India's attempt to rename places used by China with its standard names is illegal, null and void, and it won't change the fact that the Zangnan region belongs to China".¹⁵ Reacting sharply, India's Ministry of External Affairs spokesperson, Mr. Randhir Jaiswal,

⁸ Ibid.

⁹ Ibid.

¹⁰ "36th Meeting of the Working Mechanism for Consultation and Coordination on India-China Border Affairs (August 06, 2026)", MEA India, August 7, 2026

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

¹⁴ "Government of India in consultation with Government of Arunachal Pradesh identified 27 places/features located in Arunachal Pradesh by standard place and feature names on the official maps of Survey of India", Ministry of Home Affairs Government of India, August 7, 2026

¹⁵ "Foreign Ministry Spokesperson Guo Jiakun's Remarks on August 10, 2026", MFA PRC, August 10, 2026

reiterated that “Arunachal Pradesh is an inalienable and integral part of India and that nothing can change this indisputable reality”.¹⁶

Following the 2020 border clash between China and India, Chinese analysts observed that the Indian military has expanded its toolkit of intelligence gathering using space-based reconnaissance, drone surveillance and cyber intelligence to build a multi-agency network against the PLA. They cautioned that the Indian military is framing routine Chinese activities as threats, raising the potential for India to miscalculate and take “unilateral countermeasures” against China.¹⁷ It was also noted that India was working with the U.S. and certain countries in West Asia to track Chinese far-sea naval operations and apply pressure on Beijing’s maritime supply routes.¹⁸

Amidst the deepening trend of India-Japan strategic partnership, reports indicated that Tokyo is planning to send its Mitsubishi F-2 fighter jets to India to participate in the ‘Veer Guardian’ military exercise to be held in Jodhpur, Rajasthan, in September 2026.¹⁹ In light of this, Chinese analysts shed light on Japan’s “neo-militarism” and cautioned India not to become a frontline player in Tokyo’s geopolitical rivalry with Beijing or inadvertently facilitate Japan’s push to revive militarism.²⁰

Even as India-China relations have shown signs of improvement, reports indicated that China has lately denied business visas to Indian nationals. In response to this, India’s External Affairs Minister Dr. S. Jaishankar, while speaking at the ET World Leaders Forum, informed that New Delhi had raised the issue of business visa denial with the Chinese side.²¹ EAM Dr. Jaishankar emphasised that India and China are the vanguard of global growth; however, he reiterated that peace and tranquillity in the border areas remain a prerequisite for good relations.²² He maintained that India needs stable economic ties with China to drive its own modernisation and develop domestic manufacturing capabilities.²³

¹⁶ “Arunachal integral to India, border peace vital for China ties: MEA”, MEA India, August 11, 2026

¹⁷ “Why Indian intelligence-gathering against China could lead to miscalculation”, South China Morning Post, August 24, 2026

¹⁸ Ibid.

¹⁹ “Japan reportedly to send F-2 jets to India, eyeing China; Chinese expert reminds New Delhi to guard against becoming a tool of Tokyo’s militarism revival”, Global Times, August 6, 2026

²⁰ Ibid.

²¹ “ET WLF: India raised Chinese business visa denial issue with Beijing, assures EAM Jaishankar”, The Economic Times, August 24, 2026

²² Ibid.

²³ Ibid.

On August 13, 2026, Mr. Peter Navarro, Senior Counsellor for Trade and Manufacturing at the White House, released a report titled 'The Great Transshipment Scam', in which the U.S. accused India and 40 other countries of enabling Chinese goods to bypass punitive American tariffs.²⁴ The U.S. has identified India's Pune-Gujarat-Chennai belt as among the ugly Sister City pairs or areas enabling China to evade tariffs.²⁵ Rejecting the U.S.' report, the Chinese Ministry of Commerce accused Washington of fabricating a false narrative concerning a so-called Shadow Transshipment Network, describing this as an act of unilateralism and protectionism that is aimed at suppressing and blocking Chinese products.²⁶ India, on its part, maintained a measured approach towards the U.S. report, stressing that it was examining the report's findings, while defending India's regulatory framework to prevent practices such as transshipment of goods.²⁷

II. China-South Asia Relations

On August 26, 2026, the collapse of a glacier triggered floods in Nepal-Tibet (China) border region, destroying several villages on both sides. The Chinese Ambassador to Nepal, Zhang Maoming, expressed condolences after this natural disaster caused havoc in the Nepal-China border region, resulting in substantial losses on both sides. He urged China and Nepal to join hands to overcome this difficult period and rebuild lives in the region.²⁸ President Xi Jinping, Premier Li Qiang, and Foreign Minister Wang Yi also expressed condolences to their Nepalese counterparts on the mudslide disaster and called for emergency assistance to the disaster-stricken areas in Nepal.²⁹

Amidst continuing strains in India's relations with Pakistan and Bangladesh, analysts cautioned that India is losing its regional primacy in South Asia as the U.S. and China flex their muscles in the region.³⁰ India was urged to find a new

²⁴ US says India, 40 others enabling Chinese goods to bypass tariffs, The Economic Times, August 15, 2026

²⁵ Ibid.

²⁶ "US accuses Chinese exporters of masterminding 'Great Transshipment Scam'", South China Morning Post, August 13, 2026

²⁷ "India responds to White House report on Chinese goods transshipment", Hindustan Times, August 14, 2026

²⁸ "Chinese ambassador to Nepal expresses deepest condolences after mudslide hits border region", Global Times, August 27, 2026

²⁹ "Wang Yi spoke by phone with Nepalese Foreign Minister Shisir", MFA China, August 29, 2026

³⁰ "India is losing its regional primacy as Beijing and Washington move in", South China Morning Post, July 27, 2026

path of engagement with countries in South Asia, taking into consideration the economic priorities and strategic concerns of its neighbours.³¹ Meanwhile, reports in the Chinese state media once again claimed that Bangladesh was planning to buy Chinese J-10CE fighter jets. They quoted Bangladeshi officials as “taking note of Pakistani J-10CE fighter jets' superior combat performance” along with PL-15E air-to-air missiles against India’s Rafale fighter jet in May 2025.³² Bangladeshi officials believe the Chinese-made J-10CE is a cost-effective 4.5-generation fighter aircraft, much cheaper compared to the French Rafale and Eurofighter Typhoon.³³

The 17th Seminar of the International Association for Tibetan Studies (IATS), scheduled to be held in-person in Kathmandu, Nepal, from August 23-29, 2026, was cancelled and later shifted to an online format. The conference was cancelled at the behest of the Nepali government on grounds of “security concerns”. However, analysts informed that this conference was cancelled as Chinese officials expressed concerns over pro-Tibet activists using the platform for demonstrations.³⁴

III. China-United States Relations

Ahead of President Xi’s State visit to the U.S. scheduled for September 2026, Chinese Foreign Minister Wang Yi held a meeting with U.S. Ambassador to China David Perdue in Beijing on August 26, 2026. In his remarks, FM Wang Yi urged China and the U.S. to implement the important consensus reached by their Heads of State, prioritise a positive agenda, properly manage differences, remove obstacles to high-level exchanges, and promote stable development of bilateral relations.³⁵ According to the Chinese readout of the meeting, Amb. Perdue expressed the U.S.’ willingness to strengthen communication, advance cooperation, and build a constructive strategic relationship with China based on respect and equality.³⁶

Further, a U.S. delegation visited China for Track 1.5 dialogue, bringing together representatives from strategic and business communities, local government, think

³¹ Ibid.

³² “Bangladesh reportedly advances J-10CE fighter purchase plan as experts cite combat-proven capability, cost-effectiveness”, Global Times, August 26, 2026

³³ Ibid.

³⁴ “China Forced Nepal to Cancel an International Conference on Tibetan Studies”, The Diplomat, August 14, 2026

³⁵ Wang Yi met with U.S. Ambassador to China David Perdue, MFA China, August 27, 2026

³⁶ Ibid.

tanks, and universities.³⁷ During this visit, on August 26, 2026, the U.S. delegation held talks with Mr. Liu Haixing, head of the Communist Party of China's (CPC) International Department.³⁸ In his remarks, Liu called upon Beijing and Washington to expand the "pie" of shared interests, "reject zero-sum games, manage competition, seek common ground, while bridging differences to achieve stability with controllable disagreements".³⁹ A delegation of the U.S.-China Economic and Security Commission (USCC) also visited China. While sharing their experience of the visit to China, USCC members stated that China is projecting "outward confidence"; however, there's a lot of anxiety about the state of the country's economy and potential for growth.⁴⁰

The tensions between the U.S. and China continued to mount over trade and technology issues. On July 31, 2026, the U.S. added 43 companies based in China to the 'Uyghur Forced Labour Prevention Act' (UFLPA) Entity List, a key tool aimed at preventing the importation into the U.S. of goods made with forced labour.⁴¹ Moreover, the U.S. Federal Communications Commission (FCC) banned the import of new foreign-made robotic devices and power inverters, two sectors in which Chinese manufacturers are global leaders.⁴²

Reacting sharply, on August 5, 2026, China's Ministry of Commerce imposed sanctions on seven U.S. entities and tightened export controls on drones and related technologies, citing the need to "safeguard national security". Beijing also launched a national security investigation into imported printing and copying office equipment made with foreign software.⁴³ Analysts noted that China's retaliation against the U.S.' tariffs and export controls in President Trump's second term highlights Beijing's expanding economic toolkit and its growing willingness to deploy it.⁴⁴ Adding that, this is in sharp contrast to Beijing's "ability and willingness" to retaliate against Washington in Trump's first term.⁴⁵

³⁷ "'Normal stability': US-China Track 1.5 talks offer formula for ties", South China Morning Post, August 25, 2026

³⁸ Ibid.

³⁹ Ibid.

⁴⁰ "China projects 'outward confidence' amid economic anxiety, US congressional panel says", South China Morning Post, August 13, 2026

⁴¹ "Disputes over AI, robotics, trade mount ahead of planned Xi-Trump summit in US", South China Morning Post, August 5, 2026

⁴² Ibid.

⁴³ "China's retaliation against US shows depth of its trade war strategy, analysts say", South China Morning Post, August 6, 2026

⁴⁴ Ibid.

⁴⁵ Ibid.

Meanwhile, on August 6, 2026, the U.S. announced a 15 percent tariff on imports of Polysilicon and related products, targeting China's dominance in key materials used in solar panels and semiconductor chip manufacturing.⁴⁶ President Trump reiterated that Washington "intends to bring semiconductor chip business back into the U.S. in a very big way".⁴⁷ In a pushback against the new U.S. tariffs, the Chinese Embassy in Washington accused the Trump administration of "overstretching the concept of national security" and "abusing state power to go after Chinese businesses". Adding that, such measures would not make the U.S. more competitive; rather, it would disrupt normal trade and economic exchanges between the two countries.⁴⁸

In light of the U.S.' strategic intent to drive "domestic substitution" for imports, Chinese state media urged Washington to carefully consider the cost of this transition in three key areas, i.e. the energy transition, AI infrastructure, and innovation.⁴⁹ It was argued that such tactics cannot halt China's high-technology innovation momentum and that forcing American companies to decouple from China, especially in AI, robotics, and clean energy sectors, would harm them more than it would hurt their Chinese competitors.⁵⁰

Even as their trade and technology tensions continued unabated, China's exports of rare-earth permanent magnets to the U.S. rose significantly in July 2026, while Chinese exports of rare-earth materials to Japan plunged owing to export controls.⁵¹ The Chinese shipments of key gallium and antimony products and most germanium products remain at or near zero.⁵²

The activities of U.S.-China Board of Investment, one of the key outcomes of Xi-Trump Summit held in Beijing in May 2026, have reportedly stalled, and the two sides have never really initiated any consultation under this mechanism.⁵³ The Chinese Embassy in Washington informed that the economic and trade teams of

⁴⁶ "US sets 15% polysilicon tariff, price floors to challenge China's dominance", South China Morning Post, August 7, 2026

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ "The US wants 'domestic substitution' too? Better carefully make three calculations first", People's Daily, August 7, 2026

⁵⁰ Ibid.

⁵¹ "China strategic mineral exports to US rise as Japan shipments plunge", South China Morning Post, August 21, 2026

⁵² Ibid.

⁵³ "US-China 'Board of Investment' stalls before expected Trump-Xi meeting", South China Morning Post, August 13, 2026

both countries “maintain close communication regarding the relevant mechanisms”.⁵⁴ A report by the South China Morning Post indicated that the Chinese side is increasingly unsettled by the chaos within the White House, which lacks planning and coordination to hammer out deliverables for the leaders’ Summit.⁵⁵

Following China’s submarine-launched ballistic missile (SLBM) test in the Pacific Ocean, on August 13, 2026, the U.S. and 40 other countries, including Japan, the Philippines, and the Republic of Korea, issued a joint statement on notifications of ballistic missile launches. In this joint statement, the participating countries expressed concerns that recent Chinese missile testing activity in the Pacific area “did not follow the standard practices adopted by most states to notify and deconflict ICBM, SLBM, and SLV launches”.⁵⁶ Adding that conducting nuclear-capable ballistic missile tests without sufficient advance notice and details is dangerous and disrupts the peace and security of relevant nations in proximity to these tests.⁵⁷ China, while rejecting the U.S.-led statement, warned that 41 countries together cannot scare China and that the PLA’s lawful ballistic missile tests do not need any permission.⁵⁸

Meanwhile, the U.S.’ National Defence Authorisation Act (NDAA) 2027 once again reflects broad “bipartisan consensus in Washington” on expanding the U.S.’ military, technological, and economic capabilities in its strategic competition with China.⁵⁹ Four key issues remain at the forefront of the U.S. Congressional strategic thinking, which include a possible Taiwan contingency, artificial intelligence, defence supply chains, and preparations for a potential South China Sea crisis.⁶⁰ Even as the Trump administration has reportedly put the USD 14 billion arms sales package to Taiwan on the back burner for the time being, reports indicated that the Republican lawmakers are pushing the Trump administration to reopen discussions with the U.S. Congress for arms sales to Taiwan.⁶¹

⁵⁴ Ibid.

⁵⁵ “China rattled by Trump White House chaos weeks ahead of Xi visit. It has happened before”, South China Morning Post, August 15, 2026

⁵⁶ “Whom do 41 countries think they are scaring? China's missile tests don't need permission”, People’s Daily, August 13, 2026

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ “China competition looms large in 2027 US defence bill”, South China Morning Post, August 10, 2026

⁶⁰ Ibid.

⁶¹ “US hawks push Trump on multibillion-dollar Taiwan arms deal ahead of Xi summit”, South China Morning Post, August 6, 2026

Among other major issues, the U.S. has proposed a new USD 103,265 fee for H-1B visa petitions – a measure aimed at ramping up the cost of hiring skilled foreign workers, especially from countries such as India and China.⁶² The U.S. also continues to push the “America First” agenda at the Asia-Pacific Economic Cooperation (APEC) meetings held in China.⁶³

IV. China-European Union Relations

On August 10, 2026, Deutsche Bank announced that the People’s Bank of China (PBOC) had appointed it as the Renminbi (Chinese Yuan) clearing bank for Europe. Deutsche Bank informed that it was the first bank in Europe to receive this designation, strengthening China-EU financial connectivity.⁶⁴ In light of this, analysts noted that PBOC authorising Deutsche Bank to serve as Renminbi clearing bank in Europe marks a critical milestone in the Yuan’s internationalisation.⁶⁵ Even as trade and technology tensions between China and the EU mount, the appointment of Deutsche Bank by the PBOC indicates that Beijing is leveraging Germany's industrial heft and Frankfurt's position as the European Central Bank's (ECB) home to deepen financial integration with Germany.⁶⁶ Both Germany (EU) and China intend to de-risk from U.S. Dollar dependency while navigating a fragmented global monetary order.⁶⁷ China and Germany are also looking to align their standards for smart connected vehicles as Chinese companies seek to validate their driverless technology in the European market.⁶⁸

Amidst intensifying geopolitical conflicts that are making key global trade routes such as the Strait of Hormuz, the Strait of Malacca, and the Suez Canal vulnerable, China-Europe Arctic shipping route has entered regular operations.⁶⁹ Chinese analysts emphasised that the Arctic shipping route not only opens up a fast, efficient, low-carbon, and resilient northern logistics corridor for China-Europe

⁶² “America proposes new US\$103,265 H-1B visa fee, expanding charge beyond new arrivals”, South China Morning Post, August 25, 2026

⁶³ “Washington pushes ‘America first’ agenda in Apec talks ahead of Chinese leader’s visit”, South China Morning Post, August 23, 2026

⁶⁴ “Deutsche Bank appointed as RMB Clearing Bank for Europe”, Deutsche Bank, August 10, 2026

⁶⁵ “Deutsche Bank’s yuan mandate boosts Chinese currency’s global reach”, South China Morning Post, August 23, 2026

⁶⁶ Ibid.

⁶⁷ Ibid.

⁶⁸ “China, Germany aim to align on smart vehicle standards amid escalating trade friction”, South China Morning Post, July 31, 2026

⁶⁹ “China's Arctic shipping route sees soaring demand, igniting 'sour grapes' mentality in West: Global Times editorial”, People’s Daily, August 18, 2026

trade, but also injects certainty into global supply chains disrupted by various shocks.⁷⁰ However, Chinese state media claimed that the soaring demand for China's Arctic shipping route is igniting a "sour grapes" mentality in the West, where Beijing is often accused of destroying the environment, pursuing geopolitical expansionism, and weaponising supply chains.⁷¹ Adding that, there is no threat to the West from China's involvement in Arctic shipping. On the contrary, the Western countries' expanding footprint in Arctic shipping demonstrates their hegemonic thinking and double standards.⁷²

Even as the EU intends to de-risk its economy from China, reports indicated that Europe's trade deficit with China continues to widen. China's trade surplus expanded over all but three EU member-states in July 2026.⁷³ Brussels and Beijing have set a three-month deadline during their Commerce Ministers' meeting held in June 2026 for rebalancing trade ties.⁷⁴ Europe fears that imports of cheap goods from China is deindustrialising vast swaths of the European manufacturing economy.⁷⁵

Amidst this, China and Switzerland upgraded their 2014 free trade agreement (FTA), scrapping tariffs on 99.8 percent of Swiss exports. Analysts stressed that the timing of China-Switzerland FTA upgrade is "convenient from Beijing's perspective" as it "sends a signal to the European Commission that, at a time of intensifying trade tensions, reduced barriers are possible".⁷⁶

V. China-Russia Relations

Continuing the deepening trend of China-Russia strategic partnership, Chinese President Xi and Russian President Putin held a meeting on August 31, 2026, on the margins of the SCO Summit in Bishkek, Kyrgyzstan. Both leaders view bilateral relations from a long-term strategic perspective and remain committed to deepening the engagement to a higher level. They pledged to deepen strategic

⁷⁰ Ibid.

⁷¹ Ibid.

⁷² Ibid.

⁷³ "China's trade grip tightens in Europe as clock ticks towards October deadline", South China Morning Post, August 21, 2026

⁷⁴ Ibid.

⁷⁵ Ibid.

⁷⁶ "China and Switzerland have a new tariff-scrapping trade deal. How will the EU react?", South China Morning Post, August 24, 2026

coordination at multilateral forums such as the UN, BRICS, G20, SCO, and APEC to safeguard world peace, stability, and prosperity.⁷⁷

On August 20, 2026, the U.S.-China Economic and Security Review Commission (USCC), a bipartisan commission created by the United States Congress, released a fact sheet on the state of China-Russia relationship. In this report, Washington reiterated that “China has become a decisive enabler of Russia’s war in Ukraine” and that since Moscow’s invasion of Ukraine, Beijing has become indispensable to Russia, giving China leverage over Russia, threatening the U.S. and global stability.⁷⁸ The USCC report also cautioned that China and Russia have built an increasingly sanctions-resistant economic and financial relationship that has reduced, but not eliminated, Western leverage.⁷⁹

Even as the USCC expressed concerns about China’s role in the Ukraine conflict, Ukrainian President Volodymyr Zelensky urged China to play a “strong diplomatic role” to help end the war between Russia and Ukraine. President Zelensky’s statement came in response to President Xi’s congratulatory letter sent to Kyiv to congratulate Ukraine on its Independence Day.⁸⁰

Amidst continuing tensions between China and Japan, Russian President Vladimir Putin reportedly visited the disputed southern Kuril Islands, signalling a joint effort by Beijing and Moscow to pressure Japan. President Putin visited the Kuril Islands, located north of Hokkaido, on August 13, 2026, ahead of the August 15 anniversary of Japan’s surrender in World War II.⁸¹ Chinese analysts noted that this was a comprehensive effort by Russia and China to put pressure on Japan and make Tokyo uncomfortable.⁸² Adding that, it serves as a warning to Japanese leaders not to visit the Yasukuni Shrine on the war anniversary.⁸³ China and Russia also held a joint patrol around Japan, sending a strategic message to Tokyo and Washington.⁸⁴

⁷⁷ Mao Ning, Official X Handle, MFA China Spokesperson, August 31, 2026

⁷⁸ “China-Russia Fact Sheet: A Short Primer on the Relationship”, US-China Economic and Security Review Commission (USCC), August 20, 2026

⁷⁹ Ibid.

⁸⁰ “Zelensky urges China to use its diplomatic weight to end Russia’s war with Ukraine”, South China Morning Post, August 26, 2026

⁸¹ “What does the first visit to the Kuril Islands by Vladimir Putin mean for China?”, South China Morning Post, August 14, 2026

⁸² Ibid.

⁸³ Ibid.

⁸⁴ “Chinese and Russian warships were seen circling Japan. What could it mean?”, South China Morning Post, August 6, 2026

Internal Developments

Key Developments and Addresses by Chinese Leaders

President Xi addressed the 26th Meeting of the Council of Heads of State of the Shanghai Cooperation Organisation (SCO) in Bishkek, Kyrgyzstan, on September 1, 2026. In his remarks, Xi stressed that “transformation not seen in a century is accelerating across the globe”, urging SCO member-states to adhere to the Shanghai Spirit of mutual trust, mutual benefit, equality, consultation, respect for diversity of civilisations, and the pursuit of common development.⁸⁵ To advance meaningful cooperation within the SCO framework, President Xi called for putting development first through universally beneficial inclusive economic globalisation; fostering common security through the Global Security Initiative; staying committed to a people-centred approach by advancing the Global Civilisation Initiative; and striving for equitable and orderly governance.⁸⁶

Former Chinese Premier Zhu Rongji, who played a crucial role in China’s market reforms and opening up in the 1990s, passed away at the age of 98 in Beijing on August 12, 2026. In an obituary, the CPC Central Committee remembered the late Zhu Rongji as an excellent Party member and a statesman who led the Party and the nation to new heights of modernisation by adhering to the principles outlined by Deng Xiaoping in his 1992 Southern China tour.⁸⁷ Amidst Western accusations of “industrial overcapacity” against China, Chinese scholars shed light on Zhu Rongji’s contribution to the original “China shock”, in which Western multinationals chased cheap labour availability in China and hollowed out their own manufacturing base for easy profits.⁸⁸

On August 17, 2026, President Xi addressed a gathering commemorating the birth centenary of the late Chinese President Jiang Zemin. Xi hailed the “indelible contributions” of Jiang Zemin to the Party and the nation, and called upon the CPC to advance the cause of “Socialism with Chinese Characteristics” for national rejuvenation and modernisation.⁸⁹ He credited Jiang Zemin for formulating the

⁸⁵ “Full text of Chinese President Xi Jinping’s speech at 26th Meeting of Council of Heads of State of SCO”, The State Council PRC, September 1, 2026

⁸⁶ Ibid.

⁸⁷ “Former Chinese premier Zhu Rongji passes away at 98”, People’s Daily, August 13, 2026

⁸⁸ “Was the late Zhu Rongji responsible for the original ‘China shock’?”, South China Morning Post, August 15, 2026

⁸⁹ “Xi urges advancing socialism with Chinese characteristics on centenary of late leader Jiang Zemin”, People’s Daily, August 17, 2026

CPC's "Theory of Three Represents", in which Jiang urged the Party to promote (represent) economic modernisation by supporting private enterprise, technological development, and market reforms; advance modern and socially progressive culture; and represent the core interests of the overwhelming majority of the Chinese people to sustain the Party's legitimacy.⁹⁰

Earlier, ahead of the PLA's 99th founding anniversary held on August 1, 2026, President Xi, in his remarks at a CPC Political Bureau meeting, reiterated the importance of strengthening political guidance and accelerating innovation-driven development to advance high-quality modernisation of the Chinese military.⁹¹

China's top anti-corruption body, the 20th Central Commission for Discipline Inspection (CCDI), held its sixth plenary session in Beijing on August 22, 2026. The Secretary of CCDI and a member of the CPC Political Bureau Standing Committee, Li Xi, in his remarks, reiterated the importance of combating corruption and advancing high-quality development of discipline inspection in the new era. He emphasised the need to strengthen political oversight, deepen political inspections, strictly enforce discipline in leadership transition, improve conduct, and rectify misconduct and corruption.⁹²

Marking a major milestone in China's green modernisation drive, on August 15, 2026, the country's Ecological and Environmental Code officially came into force, strengthening the rule of law aimed at ecological protection. It is a key part of the "Beautiful China" initiative.⁹³

Trade and Economy

China's Vice Minister of Industry and Information Technology Xin Guobin outlined the country's plan to develop "new quality productive forces" (high-technology industries) through 2030. Beijing would prioritise high-tech industries such as 6G communications, quantum technology, brain-computer interfaces, embodied AI (robotics), and nuclear fusion to drive the next phase of China's

⁹⁰ Ibid.

⁹¹ "Xi stresses political guidance, innovation in military modernization", People's Daily, July 31, 2026

⁹² "China's top anti-graft body vows higher standards, more concrete measures to advance its work", People's Daily, August 23, 2026

⁹³ "China's landmark Ecological and Environmental Code takes effect to drive green modernization", Global Times, August 15, 2026

economic growth.⁹⁴ The Chinese government also plans to introduce measures to tighten industrial oversight to curb cutthroat competition in the domestic automotive industry.⁹⁵

It is to be noted that China's export machine continues to thrive, with exports rising 17.8 percent year-on-year in July 2026. The "new trio" of artificial intelligence, robotics, and innovative drugs is driving China's exports.⁹⁶ Chinese exports were dominated by clothing, furniture, and home appliances during the early phases of its modernisation; later, the "new three" products, including Electric Vehicles (EVs), Lithium batteries, and Solar cells, played an important role in China's global exports.⁹⁷

Amidst sluggish economic growth, the People's Bank of China (PBOC) reiterated that it will continue to implement a "moderately loose monetary policy" in the second half of 2026 to promote steady economic growth. The PBOC plans to maintain ample liquidity in the banking system and align financing to achieve national economic growth targets and overall price levels.⁹⁸

Among other developments, five-year China Government Bond (CGB) futures debuted on the Hong Kong Exchanges and Clearing Ltd (HKEX), reportedly the only CGB futures in the offshore market. Analysts stressed that the Chinese government bond futures debut in Hong Kong SAR is another major step in the Yuan's internationalisation.⁹⁹

Defence and Security

On July 31, 2026, China's Defence Minister Dong Jun, in his remarks at a reception marking the 99th anniversary of the founding of the PLA, reiterated Beijing's resolve to thwart "Taiwan independence" separatist forces and their external supporters. He urged the PLA to maintain a state of readiness to deal with any

⁹⁴ "China targets hi-tech pillars by 2030 to fuel economic growth", South China Morning Post, August 26, 2026

⁹⁵ Ibid.

⁹⁶ "China's latest high-tech 'trio' fueling export growth as innovation accelerates", People's Daily, August 8, 2026

⁹⁷ "China Dynamics: China's new 'new three' unlocks vast opportunities", People's Daily, August 7, 2026

⁹⁸ "China's central bank to enhance financial support for real economy in H2", People's Daily, August 3, 2026

⁹⁹ "Five-year China Government Bond futures debut in HK as yuan's internationalization accelerates", People's Daily, August 4, 2026

contingency and continue advancing high-quality modernisation of armed forces, including developing advanced combat capabilities.¹⁰⁰ A former PLA officer, Colonel Zhou Bo, in his comments on China's second centenary goal (2049) and the PLA's centenary goal (2027), stressed that Beijing intends to "build a world-class military that can stand neck and neck with the U.S.".¹⁰¹ Major issues discussed by him included zero-tolerance for corruption within the PLA, peaceful national reunification, opposition to U.S. arms sales to Taiwan, the U.S.' decline as a military power that is no longer capable as once it was of projecting power globally, and possessing sufficient stockpile of nuclear weapons so that the U.S. would never consider using nuclear weapons first.¹⁰²

China-Japan tensions continued. On August 4, 2026, China's Ministry of National Defence rejected the content in Japan's Defence White Paper as an attempt to exaggerate the so-called "China threat" rhetoric to ease military build-up restrictions.¹⁰³ As Tokyo described China's military activities as Japan's "greatest strategic challenge ever", Beijing warned that Japan's false accusations is a classic case of "a thief crying stop thief".¹⁰⁴ According to an editorial in the People's Daily, Japan's "2026 Defence White Paper is full of ambition and lies", emphasising the fact that Japan no longer adheres to the post-war principle of pursuing an "exclusively defence-oriented policy".¹⁰⁵ Amidst reports that Japan was planning to equip its unmanned underwater vehicles with long-range missiles and had reached an agreement with Canberra to test its hypersonic missiles in Australia, China urged the international community to see through Japan's dangerous agenda of reviving militarism.¹⁰⁶

The tensions between China and the Philippines also continued unabated in the South China Sea (SCS). Beijing rejected Manila's delimitation of "baselines of the territorial sea" of Chinese-claimed Huangyan Dao (Scarborough Shoal) as a flagrant violation of China's sovereignty.¹⁰⁷ The Chinese side reiterated that the

¹⁰⁰ "China's defence minister vows to thwart any attempt at 'Taiwan independence', external interference on PLA's 99th anniversary", Global Times, August 1, 2026

¹⁰¹ "China's military goal is to stand neck and neck with the US: retired PLA colonel Zhou Bo", South China Morning Post, August 3, 2026

¹⁰² Ibid.

¹⁰³ "Chinese defence spokesperson slams 'China threat' rhetoric in Japan's new defence white paper", MND PRC, August 4, 2026

¹⁰⁴ Ibid.

¹⁰⁵ "Japan's new defence white paper only about ambition, lies", People's Daily, August 14, 2026

¹⁰⁶ "International Community Needs to See through Japan's Dangerous Agenda: Defence Spokesperson", MND PRC, August 27, 2026

¹⁰⁷ "Philippines' expansionist moves on China's Huangyan Dao futile, destabilising", People's Daily, August 3, 2026

“South China Sea arbitration award” was a political farce that has no binding force and that the Philippines’ continuing infringements in the SCS demonstrates its expansionist mindset.¹⁰⁸ To deter the Philippines and its external supporters, the PLA held a joint naval-air training exercise in the territorial sea and airspace of Chinese-claimed Huangyan Dao and its surrounding areas.¹⁰⁹

Technology

On August 19, 2026, Hangzhou-based Unitree Robotics made its debut on the STAR Market of the Shanghai Stock Exchange, underscoring the capital market's confidence in China's embodied AI sector and high-tech future. A Xinhua commentary stressed that the rise of Unitree Robotics demonstrates China’s capability to translate its industrial supply chains into commercially viable AI applications.¹¹⁰ The robotics industry has enormous applications across smart manufacturing, household services, disaster relief operations, construction, traffic management, and restaurant services.¹¹¹

It is to be noted that Chinese investors are developing their own valuation benchmarks based on an independent assessment of the long-term prospects of the humanoid robotics market.¹¹² Over the years, the valuation of technology companies was often assessed by Wall Street analysts using American companies as a benchmark. However, with the rise of globally influential Chinese high-technology companies, China is unwilling to accept valuations set by others, and the global valuation system for technology assets is moving from a unipolar model towards a multipolar one.¹¹³

According to a report by a research institute under China’s Ministry of Industry and Information Technology, the country’s AI industry exceeded CNY 1.2 trillion (about USD 176.7 billion), expanding 40 percent year-on-year in 2025. China was home to more than 6,600 AI companies as of June 2026, representing 15 percent of the global total.¹¹⁴

¹⁰⁸ Ibid.

¹⁰⁹ “Draw the sword! China will not allow anyone to run amok at its doorstep”, People’s Daily, August 3, 2026

¹¹⁰ “Xinhua Commentary: Unitree's successful IPO a vote of confidence in China's high-tech future”, Xinhua, August 19, 2026

¹¹¹ Ibid.

¹¹² “This trend is more worthy of attention than Unitree Robotics going public”, People’s Daily, August 11, 2026

¹¹³ Ibid.

¹¹⁴ “China's AI industry tops 1.2 trln yuan in 2025, up 40 pct”, People’s Daily, August 4, 2026

China's Chang'e-7 lunar mission aimed at searching for water ice near the Moon's south pole was postponed until the next year (2027) as the mission did not meet the launch requirements. The U.S. and China are locked in a strategic space competition over who can build a lasting presence on the Moon.¹¹⁵

¹¹⁵ "Could the delay to China's moon mission ease pressure on Nasa?", South China Morning Post, August 26, 2026



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