



# Delhi Policy Group

Advancing India's Rise as a Leading Power

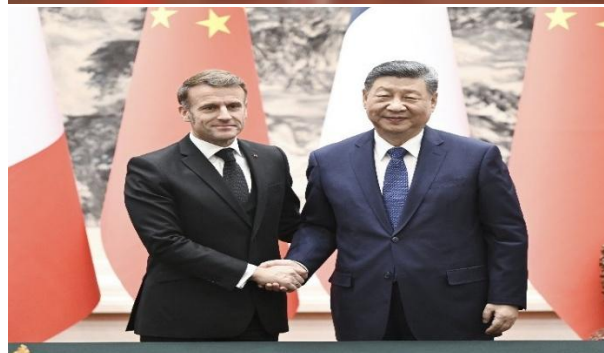
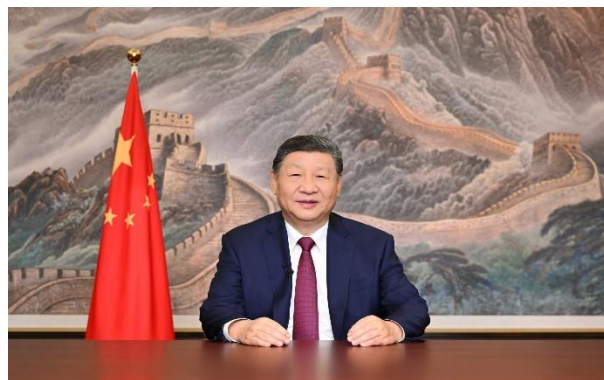
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Advancing India's Rise as a Leading Power

## China Monitor Vol. VIII, Issue 12 December 2025

### ABOUT US

Founded in 1994, the Delhi Policy Group (DPG) is among India's oldest think tanks with its primary focus on strategic and international issues of critical national interest. DPG is a non-partisan institution and is independently funded by a non-profit Trust. Over past decades, DPG has established itself in both domestic and international circles and is widely recognised today among the top security think tanks of India and of Asia's major powers.

Since 2016, in keeping with India's increasing global profile, DPG has expanded its focus areas to include India's regional and global role and its policies in the Indo-Pacific. In a realist environment, DPG remains mindful of the need to align India's ambitions with matching strategies and capabilities, from diplomatic initiatives to security policy and military modernisation.

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### China Monitor

The DPG China Monitor features developments related to China during the month and is compiled by our research team comprising Ambassador Biren Nanda, Senior Fellow and Sanket Joshi, Research Associate, from open-source reports and publications.

### Cover Images:

*Chinese President Xi Jinping delivered his New Year address on December 31, 2025. Source: [MFA PRC](#)*

*Chinese President Xi Jinping met French President Emmanuel Macron in Beijing on December 4, 2025.*

*Source: [Official X Handle/Mao Ning MFA PRC Spokesperson](#)*

*Chinese Foreign Minister Wang Yi addressed a symposium on the international situation and China's foreign policy in Beijing on December 30, 2025. Source: [MFA PRC](#)*

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## Abstract

Official-level diplomatic engagement between India and China continued during the month. Sujit Ghosh, Joint Secretary for East Asia in India's Ministry of External Affairs, visited Beijing on December 11-12, 2025, and met China's Vice Foreign Minister Sun Weidong and the Director-General of the Department of Asian Affairs, Liu Jinsong. Both sides expressed satisfaction with the progress made in stabilising and rebuilding bilateral relations, prioritising people-centric engagements.

On December 20, 2025, Dr. S. Jaishankar, India's Minister of External Affairs, spoke at a public forum in Pune about India's increasingly complex relationship with the US and China due to the ongoing conflict in Ukraine and the global trade war. He emphasised that “engaging the US and managing China is now more complicated”, while reiterating India's foreign policy principle of putting national interest first. He added that the US and China play by their own rules, and in response to this reality, India is pursuing policies that aim to enhance its comprehensive national power.

India continues its push to build infrastructure along the border with China. On December 7, 2025, Defence Minister Rajnath Singh virtually inaugurated 32 strategically important infrastructure projects of the Border Road Organisation (BRO), spread across various Indian states along the LAC.

The Trump administration released the US National Security Strategy (NSS) on December 4, 2025. Major issues outlined in the NSS included reasserting the ‘Monroe Doctrine’ to restore American pre-eminence in the Western hemisphere, deterring a potential conflict over Taiwan by preserving military overmatch, enhancing naval capabilities to keep the vital shipping lanes open, including the South China Sea, and insisting on increased burden-sharing from allies such as Japan and South Korea.

Chinese analysts stated that the US NSS frames allies not just as partners, but as instruments to “preserve American primacy and counter China's rise”. They observed that the US had formally acknowledged the limits of its global reach and initiated a strategic recalibration, signalling “the end of Pax Americana's unipolar moment”.

US Secretary of State Marco Rubio addressed a year-end press conference on the country's foreign policy on December 19, 2025. He emphasised the need for "responsible statecraft" and "mature" handling of US-China relations. The US announced an arms package worth USD 11 billion to Taiwan, including HIMARS, ATACMS, Javelin anti-tank missiles, drones, and self-propelled howitzers. Reacting sharply, the PLA conducted a massive joint military exercise around Taiwan titled "Justice Mission 2025" on December 29-30, 2025. The military drill focused on sea-air combat readiness patrols, blockade of key ports and areas, and all-dimensional deterrence outside the island chain.

On December 18, 2025, reports indicated that a senior official in the Japanese Prime Minister's office had advocated that Tokyo should consider possessing nuclear weapons. Earlier, PM Sanae Takaichi, in remarks before the Japanese Parliament, stated that Japan, "having renounced all rights and claims under the Treaty of San Francisco, was not in a position to recognise Taiwan's legal status". Reacting to these developments, an editorial by the People's Daily cautioned that such statements reflect Japan's true intent to undermine the post-World War II international order and pave the way for its military involvement in Taiwan.

Chinese President Xi Jinping received French President Emmanuel Macron in Beijing on December 4, 2025. He suggested that Beijing and Paris should jointly promote an equal and orderly multipolar world, as well as economic globalisation, which is universally beneficial and inclusive. President Macron, for his part, emphasised that China must correct the unsustainable trade imbalance with Europe. He warned that if Beijing does not act, Europe will be forced to retaliate with strong measures against Chinese goods, including punitive tariffs.

On December 2, 2025, Wang Yi, the Director of China's Central Commission for Foreign Affairs, and Sergei Shoigu, Secretary of Russia's Security Council, co-chaired the 20th round of China-Russia strategic security consultations in Moscow. Both sides noted that in 2025, meetings between President Xi and President Putin in Moscow and Beijing had ensured that the bilateral relationship continues to move forward in an uncertain world. They agreed to safeguard the outcomes of World War II and to counter attempts to revive Fascism or Japanese militarism.

Director Wang Yi addressed a Symposium on the International Situation and China's Foreign Relations in Beijing on December 30, 2025. Amidst global turbulence and "once-in-a-century global transformation", Wang Yi highlighted China's role as a stabilising force in global affairs, a pivotal contributor to the

reform of the global governance system, the main engine of global economic growth, and a proponent of international justice.

President Xi delivered his New Year 2026 address on December 31, 2025. He shed light on the accomplishments of China's 14th Five-Year Plan (2021-2025), emphasising that the country has overcome many challenges while making solid strides towards modernisation. The Chinese economy is expected to have grown at a rate of around 5 percent in 2025, with a GDP of CNY 140 trillion (around USD 20 trillion).

## Foreign and Security Policy

### I. China-India Relations

Official-level diplomatic engagement between India and China continued during the month. Sujit Ghosh, Joint Secretary of India's Ministry of External Affairs (East Asia Division), visited Beijing on December 11-12, 2025, and met China's Vice Foreign Minister Sun Weidong and the Director-General of the Department of Asian Affairs, Liu Jinsong. Both sides expressed their satisfaction with the progress made in stabilising and rebuilding bilateral relations, prioritising people-centric engagements.<sup>1</sup> Major issues discussed included the importance of upholding the strategic guidance of the leaders of the two countries and the need for early resolution of outstanding issues pertaining to export controls.<sup>2</sup> The two sides pledged to uphold multilateralism, advocate for a multipolar world, and safeguard the interests of the "Global South".<sup>3</sup>

Meanwhile, on December 12, 2025, reports indicated that India had reformed its business visa regime for foreign engineers and technicians, including those from China. Reacting to this, Chinese analysts noted that Beijing and New Delhi are making a concerted effort to implement the consensus reached between their leaders, which has resulted in a sustained improvement in bilateral relations.<sup>4</sup> China, on its part, simplified the visa process for Indian tourists, allowing them to apply for visas online beginning December 22, 2025.<sup>5</sup> Amidst a thaw in China-India ties, analysts noted that greater economic cooperation between Beijing and New Delhi could transform Asia and the global economy, while giving real substance to groupings such as BRICS.<sup>6</sup>

India's exports to China in FY 2025-26 (April-November) stood at USD 12.22 billion, a year-on-year increase of 32.83 percent.<sup>7</sup> However, analysts expressed concerns regarding India's continued dependence on China for imports, with the

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<sup>1</sup> "Joint Secretary (East Asia)'s visit to China (December 11, 2025)", MEA India, December 11, 2025

<sup>2</sup> Ibid.

<sup>3</sup> "China and India Hold a New Round of Consultations between Officials of Foreign Ministries", MFA PRC, December 12, 2025

<sup>4</sup> "India's reported business visa reform, if true, could boost improvement in bilateral ties: Chinese expert", Global Times, December 19, 2025

<sup>5</sup> "China launches online visa application system for Indians", The Economic Times, December 22, 2025

<sup>6</sup> "India-China cooperation could transform Asia, global economy: Jim O'Neill", The Economic Times, December 16, 2025

<sup>7</sup> "India's exports to China skyrocket but a \$106 billion trade deficit looms", The Economic Times, December 19, 2025



prospects of India's trade deficit with China rising to USD 106 billion by the end of the current financial year.<sup>8</sup> Among other major trade-related developments, on December 19, 2025, China filed a petition with the WTO requesting consultations with India over New Delhi's tariffs on ICT products and solar sector subsidies. According to China's Ministry of Commerce, these policies violate multiple WTO obligations and constitute import substitution subsidies that provide an unfair advantage to Indian industries at the expense of China's interests.<sup>9</sup> Earlier in 2025, China had filed a petition against India at the WTO regarding New Delhi's subsidies for the production of electric vehicles and batteries.<sup>10</sup>

On December 20, 2025, Dr. S. Jaishankar, India's Minister of External Affairs, spoke at a forum in Pune about India's increasingly complex relationship with the US and China due to the ongoing conflict in Ukraine and the global trade war.<sup>11</sup> EAM Dr. Jaishankar emphasised that "engaging the US and managing China is now more complicated", reiterating India's foreign policy principle of putting national interest first.<sup>12</sup> He added that the US and China play by their own rules, and in response to this reality, India is pursuing policies that aim to enhance its comprehensive national power, reduce vulnerabilities, and increase its influence.<sup>13</sup>

India continues its push to build infrastructure along the border with China. On December 7, 2025, India's Defence Minister Rajnath Singh virtually inaugurated 32 strategically important infrastructure projects of the Border Road Organisation (BRO), spread across various states along the LAC.<sup>14</sup> Meanwhile, General Anil Chauhan, India's Chief of Defence Staff (CDS), emphasised that the country must be prepared to fight both short-duration, high-intensity conflicts to deter terrorism, as well as long-duration conflicts due to territorial disputes with neighbouring countries.<sup>15</sup>

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<sup>8</sup> Ibid.

<sup>9</sup> "China requests WTO consultations with India over ICT tariff, solar subsidies", The Economic Times, December 19, 2025

<sup>10</sup> Ibid.

<sup>11</sup> "Engaging US, managing China now more complicated: EAM Jaishankar", The Economic Times, December 20, 2025

<sup>12</sup> Ibid.

<sup>13</sup> "Acceptance remarks by EAM Dr. S. Jaishankar at the conferment of Honorary Doctorate Award by IIM Calcutta (November 29, 2025)", MEA India, November 29, 2025

<sup>14</sup> "32 strategic infra projects in Arunachal inaugurated by Rajnath Singh", The Economic Times, December 8, 2025

<sup>15</sup> "India must be prepared to fight short and long duration wars: CDS citing terror, land disputes", The Economic Times, December 22, 2025



On December 23, 2025, the US Department of Defence released its annual report to the United States Congress on “Military and Security Developments Involving the People’s Republic of China”.<sup>16</sup> Among other issues, the Pentagon's report shed light on China's claim over India's state of Arunachal Pradesh as part of its stated "core interests" for national rejuvenation by 2049.<sup>17</sup> According to the US, China is likely seeking to capitalise on the decreased tensions along the LAC to stabilise bilateral relations with India and prevent a deepening of US-India ties.<sup>18</sup> Adding that, mutual distrust and other irritants continue to limit China-India relationship.<sup>19</sup>

Reacting sharply, China's Ministry of Foreign Affairs cautioned that the Pentagon's report seeks to sow discord between China and other nations to maintain the US's dominance.<sup>20</sup> Beijing reiterated that it views relations with India from a long-term strategic perspective and is willing to strengthen communication, enhance mutual trust, promote cooperation, and properly handle differences.<sup>21</sup>

Russian President Vladimir Putin paid a State visit to India on December 4-5, 2025, deepening a time-tested strategic partnership between New Delhi and Moscow. China welcomed President Putin’s visit to New Delhi, stressing that Russia, India, and China are emerging economies and important members of the Global South. A healthy relationship between these three countries would not only serve their own interests but would also contribute to the peace in the region and around the world.<sup>22</sup>

On November 5, 2025, the Chinese government launched a gold mining project in Kashi Village in Eastern Tibet, reportedly without the consent of the local population. In light of this, the Tibetans-in-exile held a candlelight vigil in Dharamshala, India, to express solidarity with those arrested by the Chinese government in connection with the gold mining protest.<sup>23</sup> Among other issues,

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<sup>16</sup> “Report to Congress on Military and Security Developments Involving the People’s Republic of China 2025”, US Department of Defence, December 23, 2025

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> “China opposes relevant country’s irresponsible comments on China-India ties: FM”, Global Times, December 25, 2025

<sup>21</sup> Ibid.

<sup>22</sup> “China positive on Putin's India visit; calls for stronger trilateral cooperation”, The Economic Times, December 8, 2025

<sup>23</sup> “Tibetans in-exile condemn China's gold mining project, hold vigil in solidarity with protesters in Tibet”, The Economic Times, December 20, 2025

Chinese analysts alleged that India's holding of a symposium on the sixth Dalai Lama in Tawang, Arunachal Pradesh, from December 3-6, 2025, amounted to New Delhi's attempt to legitimise its territorial claims in the region, which Beijing claims as Zangnan (Arunachal Pradesh) or Southern Tibet.<sup>24</sup>

## II. China-South Asia Relations

On December 14, 2025, China and Pakistan concluded a joint anti-terror exercise "Warrior-IX" in Pabbi, Pakistan. The two sides enhanced their coordinated operational capabilities to combat terrorism.<sup>25</sup> Chinese analysts informed that the PLA is enhancing its deployment of unmanned equipment in such military drills and that the Z-10 attack helicopter is particularly suitable for anti-terror operations in Pakistan.<sup>26</sup> The Pakistani Army had inducted the Z-10ME attack helicopter in August 2025.<sup>27</sup>

Before Bangladesh's parliamentary elections scheduled for February 12, 2026, China expressed hope for a smooth election process and for the country to pursue a development path in line with its national circumstances.<sup>28</sup>

A case has been filed by Nepal's anti-corruption authority against a Chinese construction company, Nepali bureaucrats, and former ministers relating to corruption in the construction of the Pokhara International Airport.<sup>29</sup>

## III. China-United States Relations

The US Department of Defence released its annual report to the United States Congress on "Military and Security Developments Involving the People's Republic of China" on December 23, 2025.<sup>30</sup> In this report, the Pentagon expressed concerns about China's "historic military buildup", which makes the US homeland

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<sup>24</sup> "China warns India over poet monk: don't even think about stealing our sixth Dalai Lama", South China Morning Post, December 20, 2025

<sup>25</sup> "China-Pakistan "Warrior-IX" joint anti-terrorist exercise wraps up", MND PRC, December 15, 2025

<sup>26</sup> Ibid.

<sup>27</sup> "Pakistan Army inducts China's export-oriented Z-10ME attack helicopter: Pakistani media", Global Times, August 2, 2025

<sup>28</sup> "China hopes Bangladesh's general elections can be held smoothly: FM spokesperson", Xinhua, December 31, 2025

<sup>29</sup> "Nepal slaps Chinese firm with corruption case over Pokhara airport: What are the charges against China CAMC Engineering?", Mint, December 9, 2025

<sup>30</sup> "Report to Congress on Military and Security Developments Involving the People's Republic of China 2025", US Department of Defence, December 23, 2025

more vulnerable.<sup>31</sup> It shed light on the PLA's 2027 goals of achieving "strategic decisive victory" over Taiwan, creating a "strategic counterbalance" against the US in nuclear and other strategic domains, and pursuing "strategic deterrence and control" against other regional countries.<sup>32</sup> Towards this end, China continues to accelerate the development of cutting-edge military technology, including artificial intelligence, biotechnology, and hypersonic missiles.<sup>33</sup>

Reacting to this report, the Chinese state media claimed that the US continues to "misinterpret China's military power" while exaggerating China's "historic military buildup" and fueling anxiety about the "increasing vulnerability" of the US homeland.<sup>34</sup> It shed light on a contradictory narrative emanating from the Pentagon's report, in which the US perceives China as a "challenge" and "adversary" on the one hand, while on the other, the Trump administration claims US-China relations are stronger than they have been in many years. This duality underscores the complex nature of the current China-US relationship.<sup>35</sup>

Earlier, the Trump administration released the US National Security Strategy (NSS) on December 4, 2025.<sup>36</sup> Major issues discussed in the NSS included reasserting the 'Monroe Doctrine' to restore American pre-eminence in the Western hemisphere, deterring a potential conflict over Taiwan by preserving military overmatch, enhancing naval capabilities to keep the vital shipping lanes open, including the South China Sea, and insisting on increased burden-sharing from allies such as Japan and South Korea.<sup>37</sup>

In response to this, Chinese analysts stated that the US National Security Strategy frames allies not just as partners, but as instruments to "preserve American primacy and counter China's rise".<sup>38</sup> It was observed that the US had formally acknowledged the limits of its global reach and initiated a strategic recalibration, signalling a shift away from unchallenged hegemony.<sup>39</sup> Adding that, the year

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<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

<sup>34</sup> "How to view the contradictory narrative in the Pentagon's report: Global Times editorial", Global Times, December 25, 2025

<sup>35</sup> Ibid.

<sup>36</sup> "National Security Strategy of the United States of America", The White House, November 2025

<sup>37</sup> Ibid.

<sup>38</sup> "Trump recasts US allies as tools to counter China in security playbook: analysts", South China Morning Post, December 6, 2025

<sup>39</sup> "Opinion | 2025 marked the end of Pax Americana's unipolar moment", South China Morning Post, December 19, 2025

"2025 marks the end of Pax Americana's unipolar moment".<sup>40</sup> Amidst the US's promise to restore American pre-eminence in the Western hemisphere, China released its third policy paper on relations with Latin America and the Caribbean, promising development assistance without political conditions.<sup>41</sup>

US Secretary of State Marco Rubio addressed a year-end press conference on the country's foreign policy on December 19, 2025. In his remarks, Secretary Rubio emphasised the need for "responsible statecraft" and "mature" handling of US-China relations.<sup>42</sup> On the other hand, the US announced an arms package worth USD 11 billion to Taiwan, including HIMARS, ATACMS, Javelin anti-tank missiles, drones, and self-propelled howitzers.<sup>43</sup>

Reacting sharply, the Chinese Ministry of Foreign Affairs denounced the US's "dangerous act" of arming Taiwan, warning that it violates the one-China principle and the three joint communiqués between the two countries.<sup>44</sup> Beijing warned "Taiwan independence" separatist forces that, through their military build-up, they risk turning Taiwan into a "powder keg".<sup>45</sup> Senior executives from 20 US defence-related companies were sanctioned by China for selling arms to Taiwan.<sup>46</sup> To deter the Taiwan independence separatist forces, the PLA's Eastern Theatre Command conducted a joint military exercise around Taiwan titled "Justice Mission 2025" on December 29-30, 2025. The military drill focused on sea-air combat readiness patrol, blockade of key ports and areas, and all-dimensional deterrence outside the island chain.<sup>47</sup>

On December 18, 2025, reports indicated that a high-ranking official within the Japanese Prime Minister Sanae Takaichi's office advocated for Tokyo to possess

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<sup>40</sup> Ibid.

<sup>41</sup> "China pledges aid to Latin America, Caribbean with no political conditions", South China Morning Post, December 10, 2025

<sup>42</sup> "Rubio swaps hawk for diplomat in year-end pivot on China", South China Morning Post, December 20, 2025

<sup>43</sup> "Beijing condemns Washington's landmark US\$11 billion arms sale to Taiwan", South China Morning Post, December 18, 2025

<sup>44</sup> Ibid.

<sup>45</sup> "China urges U.S. to stop "dangerous act" following U.S. approval of massive arms sales to Taiwan", People's Daily, December 18, 2025

<sup>46</sup> "China imposes countermeasures against U.S. defence-related companies, senior executives", People's Daily, December 27, 2025

<sup>47</sup> "PLA conducts 'Justice Mission 2025' drills around the Taiwan islands", MND PRC, December 29, 2025

nuclear weapons.<sup>48</sup> Earlier, PM Takaichi, in her remarks before the Japanese Parliament, informed that Japan, "having renounced all rights and claims under the Treaty of San Francisco, was not in a position to recognise Taiwan's legal status".<sup>49</sup> Reacting to these developments, a People's Daily editorial cautioned that PM Takaichi's statement regarding "Taiwan's so-called undetermined status exposes Japan's ignorance of history and constitutes a fundamental misjudgement of current international political reality".<sup>50</sup> It warned that such statements reflect Japan's true intent to "undermine the post-World War II international order" and "pave the way for its military involvement in Taiwan".<sup>51</sup>

On December 23, 2025, the Office of the United States Trade Representative (USTR) announced that it would impose tariffs on a wide range of Chinese semiconductors. Initially, the tariff rate on Chinese chips would be zero, but it would be raised to a higher level in 18 months, on June 23, 2027, which will be announced 30 days before the deadline.<sup>52</sup> A South China Morning Post report indicated that the US's decision to delay higher tariffs on Chinese semiconductors till June 2027 indicates Washington's intent to maintain the trade truce with Beijing, rather than build leverage through a faster import duty escalation.<sup>53</sup> Moreover, President Trump's decision to approve the sale of Nvidia's H200 AI chips to China was interpreted as a deliberate strategy to export older technology to the Chinese market.<sup>54</sup>

A video call was held between Chinese Vice Premier He Lifeng and US Treasury Secretary Scott Bessent, along with USTR Jamieson Greer, on December 5, 2025. According to a Xinhua report, Beijing and Washington agreed to promote the stable development of bilateral trade and economic ties, and expand the list of areas for cooperation and shorten the list of problems.<sup>55</sup> USTR Greer stressed that Washington aims to steady ties with China after a year of tariffs, which rattled the

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<sup>48</sup> "China urges Japan to stop challenging int'l bottom line with its nuclear ambitions", People's Daily, December 20, 2025

<sup>49</sup> "Japan's so-called 'undetermined status of Taiwan' argument represents ignorance of history, misjudgment of reality", People's Daily, December 3, 2025

<sup>50</sup> Ibid.

<sup>51</sup> Ibid.

<sup>52</sup> "China vows to retaliate against 'unreasonable' US semiconductor tariffs", South China Morning Post, December 24, 2025

<sup>53</sup> "US labels Chinese chips an economic threat, but delays tariff impact until 2027", South China Morning Post, December 24, 2025

<sup>54</sup> "US-China tech thaw? Trump clears Nvidia H200 exports - why the green light matters", South China Morning Post, December 9, 2025

<sup>55</sup> "China's He Lifeng has 'constructive, in-depth' call with Trump officials Bessent and Greer", South China Morning Post, December 6, 2025

global economy, even as disputes over critical minerals and AI chips persist.<sup>56</sup> At the end of 2025, average US tariffs on China stood at 47.5 percent, while average Chinese tariffs on the US stood at 31.9 percent.<sup>57</sup>

Among other developments, reports indicated that China's holdings of US Treasury securities fell to their lowest level in 17 years due to ongoing concerns regarding the sustainability of US debt.<sup>58</sup>

#### IV. China-European Union Relations

Chinese President Xi Jinping met French President Emmanuel Macron in Beijing on December 4, 2025. In his remarks, President Xi urged Beijing and Paris to jointly promote an equal and orderly multipolar world, as well as economic globalisation, which is universally beneficial and inclusive.<sup>59</sup> Major issues discussed by Xi included upholding multilateralism, creating a level playing field for trade, ensuring world peace and stability, advancing global governance reforms, and maintaining a positive relationship between China and Europe by pursuing strategic autonomy.<sup>60</sup> French President Macron, for his part, emphasised that China must correct the unsustainable trade imbalance with the European Union.<sup>61</sup> He warned that if Beijing does not act, Europe will be forced to retaliate with strong measures against Chinese goods, including punitive tariffs.<sup>62</sup>

Reacting to Xi-Macron meeting, an editorial by the Global Times expressed hope that President Macron, being a staunch advocate of European strategic autonomy, would help the EU develop a more objective, rational, and independent understanding of China.<sup>63</sup>

Wang Yi, the Director of China's Central Commission for Foreign Affairs, met Germany's Foreign Minister Johann Wadephul in Beijing on December 8, 2025.

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<sup>56</sup> "US seeks 'constructive' reset with China as trade tensions ease: Greer", South China Morning Post, December 11, 2025

<sup>57</sup> Peterson Institute for International Economics, Official X Handle - PIIE, December 31, 2025

<sup>58</sup> "China cuts US Treasury holdings to lowest level since 2008 amid debt ceiling fears", South China Morning Post, December 19, 2025

<sup>59</sup> "President Xi Jinping Holds Talks with French President Emmanuel Macron", MFA PRC, December 4, 2025

<sup>60</sup> Ibid.

<sup>61</sup> "Macron's trade ultimatum to China goes from private to public: fix surplus or face tariffs", South China Morning Post, December 8, 2025

<sup>62</sup> Ibid.

<sup>63</sup> "Strategic significance of China-France relations has become even more prominent: Global Times editorial", Global Times, December 5, 2025



Director Wang Yi urged Berlin to transcend differences between China and Germany's social systems as well as historical background and culture, and build relations based on mutual respect.<sup>64</sup> He called upon Germany to encourage the European Commission to return to a rational and pragmatic China policy, resolve differences through dialogue, and avoid politicising trade and economic issues.<sup>65</sup> According to Chinese state media, Germany and the EU should remove strong ideological overtones in their relations with China, such as "systemic rivalry" and "clash of values", and build relations based on real interests.<sup>66</sup>

Notwithstanding the above, the European Commission is intensifying its de-risking initiatives concerning China through foreign subsidies investigations and anti-dumping probes.<sup>67</sup> Brussels plans to set up a new European Union intelligence centre that will track economic threats in real time and forge a "culture of preparedness" to manage trade, strategic competition, and economic weapons.<sup>68</sup> On the other hand, China expressed concerns about the EU's recent Foreign Subsidies Regulation (FSR) investigations targeting Chinese companies as egregious and discriminatory.<sup>69</sup> China, on its part, imposed a provisional anti-subsidy tariff of up to 42.7 percent on certain European dairy products, including cheese and cream.<sup>70</sup>

## V. China-Russia Relations

On December 2, 2025, Wang Yi, the Director of China's Central Commission for Foreign Affairs, and Sergei Shoigu, Secretary of Russia's National Security Council, co-chaired the 20<sup>th</sup> round of China-Russia strategic security consultation in Moscow. Both sides noted that, in 2025, the meetings between President Xi and President Putin in Moscow and Beijing ensured that the bilateral relationship continues to move forward in an uncertain world.<sup>71</sup> Russia reaffirmed its support

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<sup>64</sup> "Chinese FM calls on China, Germany to shoulder responsibilities as major countries for more stable bilateral policy framework", People's Daily, December 9, 2025

<sup>65</sup> Ibid.

<sup>66</sup> "Germany must clear the 'values diplomacy' fog in its China policy", People's Daily, December 8, 2025

<sup>67</sup> "Brussels ramps up China de-risking while France and Germany pull further apart", South China Morning Post, December 12, 2025

<sup>68</sup> "EU revives China de-risking plans amid rare earth chokehold and overcapacity risks", South China Morning Post, December 3, 2025

<sup>69</sup> "China slams EU subsidy probes as 'egregious' and discriminatory", South China Morning Post, December 18, 2025

<sup>70</sup> "China slaps tariffs on EU cheese and cream amid trade row", South China Morning Post, December 22, 2025

<sup>71</sup> "China and Russia Hold Strategic Security Consultation", MFA PRC, December 2, 2025



for the one-China principle and Beijing's position on Taiwan, Tibet (Xizang), Xinjiang, and Hong Kong.<sup>72</sup> The two sides agreed to safeguard the outcomes of World War II and to counter attempts to revive Fascism or Japanese militarism.<sup>73</sup>

Continuing the deepening trend of China-Russia defence partnership, the two sides held their 10<sup>th</sup> joint strategic air patrol over the East China Sea and the Western Pacific Ocean on December 9, 2025.<sup>74</sup> Beijing and Moscow also held their 3<sup>rd</sup> joint anti-missile exercise in Russia in early December 2025.<sup>75</sup> As China commemorates the 80th anniversary of victory in the War of Resistance against Japanese Aggression and the World Anti-Fascist War, Chinese analysts noted that these air patrols and anti-missile exercises are intended to deter countries undermining regional peace and stability.<sup>76</sup>

Despite the threat of Western sanctions, Chinese imports of Russian Liquefied Natural Gas (LNG) surged in November 2025, cementing Moscow's position as China's leading energy supplier.<sup>77</sup> The strategic cooperation between China and Russia is also a crucial part of Beijing's Arctic policy, due to the importance of Arctic shipping routes to China's trade, as a major international crisis could disrupt other key shipping routes such as the Strait of Malacca, the Red Sea, and the Suez Canal.<sup>78</sup>

The Russian government has begun issuing sovereign bonds denominated in Chinese Yuan (CNY), beginning December 2, 2025, marking an important step in the internationalisation of the Yuan.<sup>79</sup> In light of this, Chinese analysts emphasised that internationalisation of the Yuan is a result of China's economic development and opening-up, which differs fundamentally from those countries that seek to

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<sup>72</sup> Ibid.

<sup>73</sup> Ibid.

<sup>74</sup> "China, Russia hold 10th joint strategic air patrol over E.China Sea, western Pacific Ocean; simultaneous operation with carrier Liaoning possible: expert", Global Times, December 9, 2025

<sup>75</sup> "Chinese, Russian militaries hold 3rd joint anti-missile exercise, working together to jointly reinforce post-World War II order: expert", Global Times, December 7, 2025

<sup>76</sup> Ibid.

<sup>77</sup> "Russian LNG shipments to China surge 143% in November, overtaking Australia", South China Morning Post, December 23, 2025

<sup>78</sup> "Secure Arctic shipping route essential for China, senior official says", South China Morning Post, December 19, 2025

<sup>79</sup> "China's currency push gains ground as Russia nears issuance of yuan bond", South China Morning Post, December 1, 2025

maintain their currency's dominant status by establishing military alliances and exerting political pressure.<sup>80</sup>

## Internal Developments

### Key Developments and Addresses by Chinese Leaders

Wang Yi, the Director of China's Central Commission for Foreign Affairs, addressed a Symposium on the International Situation and China's Foreign Relations in Beijing on December 30, 2025.<sup>81</sup> Amidst global turbulence and "once-in-a-century global transformation", Director Wang Yi highlighted China's role as a stabilising force in global affairs, a pivotal contributor to the reform of the global governance system, the main engine of global economic growth, and a proponent of international justice.<sup>82</sup> He informed that, in 2026, China's diplomacy will shape a new model of "positive engagement with the US" based on the principles of mutual respect, mutual benefit, and peaceful coexistence.<sup>83</sup> Beijing will continue the deepening of the comprehensive strategic partnership with Russia, while opening up new space for China's relations with the European Union.<sup>84</sup>

Major issues discussed by Wang Yi included resolutely defending victorious outcomes of World War II, the Taiwan question as China's core national interest, advancing the principle of amity, sincerity, mutual benefit and inclusiveness in the neighbourhood, supporting the "Global South" in its journey towards modernisation, promoting global openness, and advancing China's modernisation.<sup>85</sup>

China held its annual 'Central Rural Work Conference' in Beijing on December 29-30, 2025.<sup>86</sup> President Xi, in his remarks, reiterated the importance of advancing rural revitalisation, especially in agriculture, and promoting integrated urban-rural development as part of the country's 15<sup>th</sup> Five-Year Plan.<sup>87</sup> Major issues

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<sup>80</sup> "RMB's appeal is a practical choice, not a confrontation game: Global Times editorial", Global Times, December 2, 2025

<sup>81</sup> "Opening up New Horizons for Major-Country Diplomacy with Chinese Characteristics at a Crucial Historical Juncture", MFA PRC, December 30, 2025

<sup>82</sup> Ibid.

<sup>83</sup> Ibid.

<sup>84</sup> Ibid.

<sup>85</sup> Ibid.

<sup>86</sup> "China holds central rural work conference", Xinhua, December 30, 2025

<sup>87</sup> Ibid.

discussed in the meeting included increasing grain production capacity, developing new quality productive forces in agriculture tailored to local conditions, preventing rural residents from relapsing into poverty, and nurturing country industries.<sup>88</sup>

President Xi delivered his New Year 2026 address on December 31, 2025. He shed light on the accomplishments of China's 14th Five-Year Plan (2021-2025) for economic and social development, emphasising that China has overcome many challenges while making solid strides towards modernisation and national rejuvenation.<sup>89</sup> The Chinese economy is expected to have grown at a rate of approximately 5 percent in 2025, with a GDP of CNY 140 trillion (around USD 20 trillion).<sup>90</sup>

Major issues discussed by Xi included commemoration of the victory of the Chinese People's War of Resistance Against Japanese Aggression and Taiwan Recovery Day as indelible memories, breakthroughs in the development of semiconductor chips, exploration of asteroids and comets, construction of a major hydropower project at the lower reaches of the Yarlung Zangbo River, commissioning of aircraft carrier Fujian, the rise of Humanoid robotics industry, the launch of Hainan free trade port, and the announcement of global governance initiative.<sup>91</sup> He also spoke about Hong Kong SAR and Macao SAR's better integration into the overall development of China, the Taiwan question and national reunification, and improving the Party's conduct.<sup>92</sup>

On December 26, 2025, President Xi chaired the criticism and self-criticism meeting of the CPC Political Bureau. He reiterated that it is important to implement the eight-point decision on improving the party's conduct in order to strengthen political loyalty to the CPC's top leadership.<sup>93</sup>

On December 16, 2025, President Xi met the Chief Executives of the Hong Kong and Macao SARs in Beijing. He urged Hong Kong and Macao's authorities to

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<sup>88</sup> "(Posters) Key takeaways of central rural work conference", *Xinhua*, December 31, 2025

<sup>89</sup> "Chinese President Xi Jinping's 2026 New Year message", *MFA PRC*, December 31, 2025

<sup>90</sup> *Ibid.*

<sup>91</sup> *Ibid.*

<sup>92</sup> *Ibid.*

<sup>93</sup> "CPC leadership meeting urges steadfast implementation of eight-point decision on improving conduct", *People's Daily*, December 27, 2025

resolutely implement the "one country, two systems" policy, align with China's 15th Five-Year Plan, and promote long-term prosperity in the region.<sup>94</sup>

Qiushi Journal, a flagship magazine of the CPC Central Committee, published an article authored by President Xi on "expanding domestic demand" in its 24th issue. According to Xi, the expansion of domestic demand and consumption is a "strategic decision" that will have a long-term impact on China's economy.<sup>95</sup>

## Trade and Economy

China held its annual 'Central Economic Work Conference' in Beijing from December 10-11, 2025, to discuss the country's economic priorities for 2026.<sup>96</sup> In his remarks, President Xi observed that 2025 was an extraordinary year for China, as it met its primary economic and social development targets.<sup>97</sup> However, he cautioned that changes in the external environment (US tariffs and export controls) pose new and long-term challenges for the country's economy.<sup>98</sup> While the US continues to widen export controls on semiconductor chips, President Xi warned that efforts to "choke" China will not succeed as the country has made significant advancements in high-technology as part of its 14th Five-Year Plan.<sup>99</sup>

Major issues discussed by President Xi included fully applying the new development philosophy, ensuring both development and security, expanding domestic demand, developing new quality productive forces (high-technology innovation) according to local conditions, and pursuing a proactive fiscal policy and a moderately loose monetary policy.<sup>100</sup>

Following the Central Economic Work Conference, analysts shed light on President Xi's directive to "better coordinate domestic economic work with struggles in the international economic and trade arena". Beijing expects global

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<sup>94</sup> "Xi hears report from HKSAR chief executive", People's Daily, December 17, 2025

<sup>95</sup> "Xi's article on expanding domestic demand to be published", Qiushi Journal, December 15, 2025

<sup>96</sup> "China holds Central Economic Work Conference to plan for 2026", People's Daily, December 12, 2025

<sup>97</sup> Ibid.

<sup>98</sup> Ibid.

<sup>99</sup> "Efforts to choke China will fail, Xi Jinping vows at 2026 economic agenda meeting", South China Morning Post, December 14, 2025

<sup>100</sup> "China holds Central Economic Work Conference to plan for 2026", People's Daily, December 12, 2025

trade tensions to persist and intends to fortify its domestic economy against heightened trade frictions.<sup>101</sup>

On December 18, 2025, China launched special customs operations at the Hainan Free Trade Port (FTP), allowing freer entry of overseas goods, expanded zero-tariff coverage, and business-friendly measures.<sup>102</sup> Hainan FTP's new customs regime creates two distinct boundaries: one separating the island from the overseas market (exempt from import duties, VAT, and consumption tax) and the other separating Hainan from the rest of China (products shipped will be taxed as if they were imported from abroad).<sup>103</sup>

Despite global trade uncertainties, China's trade surplus reached a record high of USD 1.076 trillion in the first eleven months of 2025, demonstrating Beijing's extensive efforts to diversify export markets and supply chains.<sup>104</sup> China's state media urged the West to refrain from misinterpreting trade surplus with false labels such as "dumping" and "overcapacity", stressing that it is the result of mutually beneficial cooperation among countries.<sup>105</sup> This trade model was described as "produced globally, assembled in China and sold worldwide".<sup>106</sup>

Following the launch of the Xi'an-Yan'an bullet train, the high-speed rail network in China has surpassed 50,000 km, a symbol of the country's modernisation.<sup>107</sup> Among other developments, reports indicated that starting January 1, 2026, e-CNY stored in wallets will earn interest based on demand deposit rates to promote the use of the digital Yuan.<sup>108</sup>

## Defence and Security

On December 15, 2025, reports indicated that China's CH-7 high-altitude, high-speed drone completed its first flight at an airfield in northwest China. According

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<sup>101</sup> "China digs in for trade 'struggles' as Beijing eyes dual strategy of growth and resilience", South China Morning Post, December 12, 2025

<sup>102</sup> "China's Hainan launches separate customs regime allowing tariff-free imports", South China Morning Post, December 18, 2025

<sup>103</sup> Ibid.

<sup>104</sup> "China's trade surplus tops record US\$1 trillion, defying trade war uncertainty", South China Morning Post, December 8, 2025

<sup>105</sup> "It is important to understand China's trade surplus correctly", People's Daily, December 10, 2025

<sup>106</sup> Ibid.

<sup>107</sup> "China's high-speed rail mileage tops 50,000 km", People's Daily, December 26, 2025

<sup>108</sup> "China's digital yuan to become interest-bearing next year, state broadcaster says", Reuters, December 29, 2025

to analysts, the CH-7 UAV can conduct battlefield intelligence, surveillance and reconnaissance in contested combat environments due to its advanced stealth features.<sup>109</sup>

Chinese aerospace company Lingkong Tianxing has unveiled a hypersonic missile with a range of up to 1,300 km and a top speed of Mach 7, whose production cost may be as low as CNY 700,000 (USD 99,000).<sup>110</sup> In light of this, Chinese analysts shed light on the prospects of low-cost offence and high-cost defence, potentially changing the logic of warfare.<sup>111</sup>

The Pentagon's report on military and security developments involving China stated that the PLA may have already deployed over 100 intercontinental ballistic missiles in three new missile silo fields and that Beijing shows no willingness to engage in nuclear arms control negotiations. According to China's Ministry of Foreign Affairs, such reports are designed to provide an excuse for the US to move forward with its own nuclear modernisation, undermining global strategic stability.<sup>112</sup>

On December 26, 2025, the Japanese government approved the country's defence budget for 2026, totalling JPY 9.0353 trillion (USD 57.8 billion), marking the 14th consecutive year of increase in Tokyo's military spending. Reacting sharply, China's state media expressed concerns about Japan's "neo-militarism", reminding Tokyo that its skyrocketing defence spending is a violation of historical post-war commitments.<sup>113</sup>

## Technology

The founder of Huawei, Ren Zhengfei, discussed the different approaches taken by China and the US in developing artificial intelligence (AI).<sup>114</sup> He observed that the US is focusing on supercomputing power and large models in pursuit of

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<sup>109</sup> "China's CH-7 high-altitude, high-speed drone makes maiden flight", Global Times, December 15, 2025

<sup>110</sup> "China's 'dirt cheap' hypersonic missiles could upend global defence markets: state media", South China Morning Post, December 2, 2025

<sup>111</sup> Ibid.

<sup>112</sup> "Pentagon's report claiming China's deployment of ICBMs a consistent US tactic to find excuses for its own nuclear strength modernisation: FM", South China Morning Post, December 23, 2025

<sup>113</sup> "With its defence spending skyrocketing, emergence of Japan's 'neo-militarism' accelerates: Global Times editorial", Global Times, December 27, 2025

<sup>114</sup> "Huawei founder Ren Zhengfei sees divergence in US and China AI strategies", South China Morning Post, December 5, 2025



Artificial General Intelligence (AGI) and Artificial Super Intelligence (ASI), while China is focused on using AI to solve real-world problems.<sup>115</sup> Meanwhile, the British journal Nature acknowledged that the disruption caused by Chinese startup DeepSeek (R1 model) showed that “the US was not as far ahead in AI as many experts had thought”.<sup>116</sup>

Amidst the widening US and European export controls on extreme ultraviolet lithography machines (EUVs), Chinese scientists, including former engineers from Dutch semiconductor giant ASML, have reportedly developed a prototype of a lithography machine which, in future, could produce cutting-edge semiconductor chips.<sup>117</sup> This suggests that China may be closer to achieving semiconductor chip self-sufficiency than initially expected.

On December 9, 2025, China’s National Intellectual Property Administration (CNIPA) informed that the country has amassed over five million valid invention patents, highlighting the country’s high-technology modernisation and a transformation in the IP landscape from quantity to quality.<sup>118</sup>

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<sup>115</sup> Ibid.

<sup>116</sup> “A man apart: DeepSeek founder Liang Wenfeng”, SCMP China Future Tech Newsletter, South China Morning Post, December 13, 2025

<sup>117</sup> “Exclusive: How China built its ‘Manhattan Project’ to rival the West in AI chips”, Reuters, December 18, 2025

<sup>118</sup> “China has amassed 5 million invention patents, emphasising quality over quantity”, People’s Daily, December 10, 2025





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