



# Delhi Policy Group

Advancing India's Rise as a Leading Power



## CHINA MONITOR

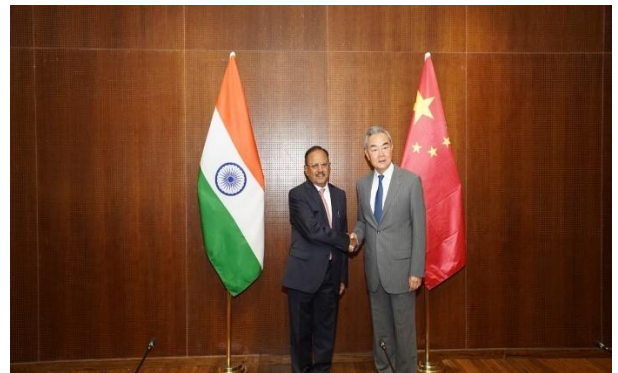
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**China Monitor**

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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](mailto:biren.nanda@dpg.org.in). To subscribe, please [click here](#).

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## Cover Images:

1. Ajit Doval, India's National Security Advisor, and Wang Yi, China's Foreign Minister, met on the margins of the BRICS National Security Advisors' Meeting in New Delhi on June 22-23, 2026. Source: [Official X Handle/Randhir Jaiswal MEA India](#)
2. European Commissioner for Trade, Maros Šefčovič, and China's Minister of Commerce, Wang Wentao, met in Brussels on June 29, 2026. Source: [Official X Handle/Maros Šefčovič](#)
3. Chinese Premier Li Qiang addressed the WEF's Annual Meeting of the New Champions held in Dalian on June 23, 2026. Source: [World Economic Forum](#)

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## Abstract

India and China continued their high-level strategic engagement. Ajit Doval, India's National Security Advisor, and Wang Yi, China's Foreign Minister, met on the margins of the BRICS National Security Advisors' Meeting, in New Delhi on June 22-23, 2026. The two sides reviewed recent developments in bilateral relations and noted “progress towards gradual normalisation”. NSA Ajit Doval emphasised that stable, predictable, and constructive India-China relations contribute to building trust and a better understanding between the two sides.

On June 2, 2026, the U.S. Trade Representative (USTR) proposed action against China and 59 other countries for their failure to prohibit or adequately restrict the export of goods to the U.S. containing forced labour under section 301 of the Trade Act of 1974. USTR has proposed tariffs of up to 12.5 percent on imports from China and other countries accused of using forced labour. Reacting to this, China cautioned that the U.S.’ proposed tariff measures related to allegations of forced labour lack sufficient evidence, have no basis under international law, and bear the hallmarks of protectionism and unilateralism.

Even as the U.S. and China agreed to promote a bilateral relationship featuring “constructive strategic stability”, on June 8, 2026, the U.S. Department of War added several Chinese high-technology companies to its list of entities linked to the Chinese military. China opposed the U.S.’ extreme national security measures through the use of “discriminatory lists” and urged Washington to stop its wrong practices and create a fair, just, and non-discriminatory business environment.

China’s Ministry of Commerce, on its part, added 10 U.S. companies operating in sectors such as defence, aerospace, drones, and strategic minerals to its export control list. Chinese analysts noted that Beijing’s measures targeting the U.S.’ rare-earth companies are likely to test the durability of the fragile trade truce between the two countries.

President Xi is likely to pay a State Visit to the U.S. in September 2026. In light of this, reports indicated that President Trump is unlikely to have a phone call with Taiwan's leader, Lai Ching-te, anytime soon, as the White House does not wish to derail the upcoming Xi-Trump Summit.

The G7 Summit was held in Évian, France, on June 16-17, 2026. In a joint Leaders' Declaration, the G7 reiterated their concerns about the use of non-market policies and practices, as well as economic coercion, including arbitrary export restrictions on critical minerals, which undermine economic security and resilience. Reacting to the G7's statement on reducing reliance on any single supplier of critical minerals, Beijing urged the G7 to abide by the principles of market economy and international trade rules, and stop undermining the international trade and economic order.

On June 22, 2026, the European Central Bank President Christine Lagarde urged global leaders to discuss the undervaluation of the Chinese Yuan, which is endangering the global economy. European leaders increasingly view the Yuan's undervalued exchange rate against the Euro as a major factor behind a surge in Chinese shipments to Europe. To address this situation, German Chancellor Merz pointed to the "Plaza Accords" of 1985, signed by the U.S. and its European partners with Japan, to address concerns about the Yen's undervaluation. Reacting to this, Chinese analysts rejected the idea of a new Plaza Accord for China, reminding the EU that China is not Japan of the 1980s, and that the EU is certainly not the U.S.

On June 17, 2026, China's State Council Information Office released a white paper on just and equitable global governance. This paper shed light on Global Governance Initiative (GGI) put forth by President Xi in 2025, emphasising the importance of upholding multilateralism, fostering an equal and orderly multipolar world, and promoting inclusive economic globalisation.

On May 28, 2026, Japan and the Philippines announced the launch of maritime delimitation negotiations in the waters east of Taiwan. Reacting to this, China opposed Japan and the Philippines' so-called "maritime delimitation negotiations" and urged Tokyo and Manila to immediately stop their "illegal infringements" and "provocative acts". The China Coast Guard (CCG) conducted law enforcement patrols in the relevant waters.

Amidst this, on June 24, 2026, the representative offices of the UK, France, and Germany in Taipei issued a joint statement expressing concern over China's intensified maritime operations in waters east of Taiwan, which they said threaten regional stability and freedom of navigation. The American Institute in Taiwan also supported the E3's joint statement. Reacting sharply, Chinese analysts warned that the coordinated statements by the U.S., UK, France, and Germany is like

handing a knife to “Taiwan independence” separatist forces, while providing cover to Japan and the Philippines to continue their illegal activities.

China’s exports expanded by 19.4 percent year-on-year to USD 376.78 billion in May 2026. A spike in U.S. imports, driven by some improvement in China-U.S. trade relations and rising demand for AI-related products, was reportedly the primary driver of China's export growth.

## Foreign and Security Policy

### I. China-India Relations

India and China continued their high-level strategic engagement. Ajit Doval, India's National Security Advisor, and Wang Yi, China's Foreign Minister, met on the margins of the BRICS National Security Advisors' Meeting, held in New Delhi on June 22-23, 2026. The two sides reviewed recent developments in bilateral relations and noted “progress towards gradual normalisation”.<sup>1</sup> NSA Ajit Doval emphasised that stable, predictable, and constructive India-China relations contribute to building trust and a better understanding between the two sides.<sup>2</sup> FM Wang Yi, on his part, reiterated the importance of China and India viewing each other as development “partners rather than competitors” in order to build healthy and stable relations. He reiterated that Beijing and New Delhi must view bilateral relations from a long-term strategic perspective and “promote cooperation with a global perspective”.<sup>3</sup> Major issues discussed by Wang Yi included BRICS advancing multipolarity, safeguarding the rights and interests of developing countries (Global South), promoting a fair and just international order, respecting each other’s core interests, placing the border issue at an appropriate position in bilateral relations, and developing a strong social foundation for improving ties.<sup>4</sup>

FM Wang Yi, in his remarks at the BRICS National Security Advisors’ meeting, spoke about China’s willingness to strengthen communication and cooperation on counter-terrorism and cybersecurity, which would contribute to global security governance.<sup>5</sup> He shed light on lessons learnt from the U.S.-Iran conflict, including the importance of upholding international rules, respecting national sovereignty, establishing a common, comprehensive security architecture and not seeking absolute security at the expense of other nations, and grasping new forms of warfare in information and cyber domains.<sup>6</sup>

On May 24, 2026, U.S. Secretary of State Marco Rubio, during his visit to New Delhi, described India as one of the U.S.’ most important strategic partners in the

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<sup>1</sup> Randhir Jaiswal, Official X Handle MEA India, June 22, 2026

<sup>2</sup> Ibid.

<sup>3</sup> “Wang Yi met with India's National Security Advisor Doval”, MFA PRC, June 23, 2026

<sup>4</sup> Ibid.

<sup>5</sup> “Wang Yi discussed strengthening cooperation among BRICS countries on counterterrorism and cybersecurity”, MFA PRC, June 23, 2026

<sup>6</sup> “Wang Yi discusses the lessons from the US-Iran conflict”, MFA PRC, June 23, 2026

world and pledged to deepen this relationship.<sup>7</sup> However, amidst the recent turmoil in relations between Washington and New Delhi, Chinese analysts believe there is a lingering doubt about the U.S.' reliability in India's strategic and public discourse. They urged India not to rely on assurances from Secretary Rubio and to maintain its "strategic autonomy".<sup>8</sup> Moreover, it was noted that the U.S.' recent tilt towards Pakistan has infuriated Prime Minister Modi and that the Trump administration is turning America's allies and partners, such as Canada and India, into friends of China.<sup>9</sup>

Meanwhile, as Russian President Vladimir Putin spoke about Moscow's independent relations with both India and China, analysts shed light on the prospects for the revival of the Russia-India-China (RIC) trilateral bloc, which could help manage regional competition.<sup>10</sup>

The Organisation for Economic Co-operation and Development (OECD), in its 2026 Manufacturing Groups and Industrial Corporations (MAGIC) database, found that the industrial firms based in China receive significantly higher state subsidies than their competitors in OECD and non-OECD economies, such as India, Brazil, and Indonesia.<sup>11</sup> Reacting to this, analysts stressed that the extensive state support, tax incentives, and affordable credit that Chinese companies receive pose a major challenge to 'Make in India'.<sup>12</sup> On June 4, 2026, China's Ministry of Commerce rejected the findings of the OECD's MAGIC report, claiming that they were "one-sided and arbitrarily defined" and that they failed to comply with the multilateral consensus under the WTO.<sup>13</sup> On the other hand, on June 23, 2026, the WTO's dispute settlement body agreed to establish a panel in a case filed by China against India over New Delhi's Production-Linked Incentives (PLI) scheme for Solar cells, modules, and IT goods.<sup>14</sup>

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<sup>7</sup> "Transcript of Joint Press conference by EAM Dr. S Jaishankar and US Secretary of State Marco Rubio (May 24, 2026)", MEA India, May 24, 2026

<sup>8</sup> "Why New Delhi shouldn't rely on Washington's 'reassurance'", Global Times, June 2, 2026

<sup>9</sup> Ibid.

<sup>10</sup> "Don't count the Russia-India-China triangle out just yet", South China Morning Post, June 17, 2026

<sup>11</sup> "China's subsidy edge poses biggest challenge to Make in India", The Economic Times, June 15, 2026

<sup>12</sup> Ibid.

<sup>13</sup> "China rejects OECD report on industrial subsidies as 'one-sided' amid EU trade tensions", South China Morning Post, June 4, 2026

<sup>14</sup> "WTO to set up dispute panel in China's case against India's solar, IT goods measures", The Economic Times, June 23, 2026

Amidst a thaw in India-China relations, border trade between the two countries resumed via Lipulekh Pass on June 26, 2026, after a six-year hiatus.<sup>15</sup> The President of the Confederation of Indian Industry (CII), Mr. R. Mukundan, called for a “careful and measured approach to trade with China”. He welcomed Chinese investments and technology, especially in the battery and EV sectors, while urging Indian industry to reduce its reliance on imports from China.<sup>16</sup> CII forecasts the Indian economy to grow by 7 percent in FY 2026-27 and is optimistic that double-digit growth could be achieved in the future if New Delhi undertakes reforms that prioritise the “speed of doing business” and import substitution.<sup>17</sup> According to India's Chief Economic Advisor, V. Anantha Nageswaran, since China is penalising companies relocating their manufacturing facilities, India has a "very short window" to take advantage of global supply-chain shifts. This requires a proactive policy approach to convert changing global realities into economic gains for India.<sup>18</sup>

On the margins of the QUAD Foreign Ministers’ meeting, India and the U.S. signed a bilateral agreement to secure the supply of critical minerals and rare-earths. Reacting to this, analysts noted that India, the U.S., Japan, and Australia are working together to break China’s stranglehold on critical minerals supply chains, which are central to strategic industries.<sup>19</sup>

On June 16, 2026, the U.S. Department of War announced that the country’s Indo-Pacific Command (USINDOPACOM) will officially revert to its former name, U.S. Pacific Command (USPACOM), established in 1947 under former President Harry Truman. Even as the Command’s old name was restored, the Pentagon stressed that its area of responsibility remains the same, spanning from the waters off the West Coast of the U.S. to the western border of India.<sup>20</sup> This has ignited discussions over India’s place in America’s strategic calculus. Chinese analysts stressed that the “Indo-Pacific” label is losing its lustre and that the relevance of anti-China blocs such as QUAD and AUKUS is fading, offering Beijing an opportunity to engage in

<sup>15</sup> “India-China border trade via Lipulekh Pass to resume after 6 yrs”, The Economic Times, June 24, 2026

<sup>16</sup> Press Trust of India, Official X Handle PTI News, June 24, 2026

<sup>17</sup> “CII president R Mukundan projects 7% growth for India, seeks GST Council-like body to drive reforms”, The Economic Times, June 24, 2026

<sup>18</sup> “Very short window for India amid China supply-chain shift, says CEA V Anantha Nageswaran”, The Economic Times, June 8, 2026

<sup>19</sup> “Critical minerals, strategic stakes: Inside India's bid to break China's supply chain stranglehold”, The Economic Times, June 22, 2026

<sup>20</sup> “Department of War Restores U.S. Pacific Command Designation”, U.S. Pacific Command, June 16, 2026

more dialogue with its neighbours.<sup>21</sup> They noted that the concept of Indo-Pacific is associated with “containment” of China, while the term Pacific promotes a “vision of coexistence” between two great powers on opposite sides of the ocean.<sup>22</sup>

On June 8, 2026, the Stockholm International Peace Research Institute (SIPRI) released its annual yearbook, in which it claimed that China has increased its nuclear warhead stockpile to 620 against India’s 190. This report indicated that China remains the world’s fastest-growing nuclear power and is in the midst of a major nuclear modernisation drive.<sup>23</sup>

## II. China-South Asia Relations

On June 26, 2026, President Xi held a meeting with Bangladesh Prime Minister Tarique Rahman in Beijing. Two sides pledged to build a community with a shared future, elevating bilateral relations to a higher level.<sup>24</sup> Amidst India’s concerns over the Teesta River project, China reiterated its support for the Teesta River Comprehensive Management and Restoration Project (TRCMRP) and that cooperation between Beijing and Dhaka should be free from third-party influence.<sup>25</sup> China also affirmed its support for Bangladesh in safeguarding its national sovereignty and territorial integrity.<sup>26</sup> Prior to the Bangladeshi Prime Minister's visit to Beijing, Chinese state media reports claimed that Bangladesh is planning to buy J-10CE fighter jets, which were deployed by Pakistan in its conflict against India in May 2025.<sup>27</sup>

Chinese Foreign Minister Wang Yi met Nepal’s Foreign Minister Shisir Khanal in Beijing on June 14, 2026. The two sides reaffirmed their commitment to strengthening bilateral relations across connectivity, border management, trade, technology transfer, and multilateral cooperation. Reports indicated that FM

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<sup>21</sup> “With the ‘Indo-Pacific’ label losing its lustre, China has an opportunity”, South China Morning Post, June 9, 2026

<sup>22</sup> Ibid.

<sup>23</sup> “190 vs 620: India has nuke edge over Pakistan but can it deter China?”, The Economic Times, June 8, 2026

<sup>24</sup> “President Xi Jinping Meets with Bangladesh’s Prime Minister Tarique Rahman”, MFA PRC, June 26, 2026

<sup>25</sup> “China: No third-party influence on Teesta project”, Dhaka Tribune, July 2, 2026

<sup>26</sup> “Joint Communiqué Between the People’s Republic of China And the People’s Republic of Bangladesh”, MFA PRC, June 26, 2026

<sup>27</sup> “Media reports Bangladesh plans to buy 24 Chinese J-10CE jets; expert says foreign attention reflects recognition of China's defence industry”, Global Times, June 24, 2026

Wang Yi expressed concerns about U.S. initiatives in Nepal, particularly the Millennium Challenge Corporation.<sup>28</sup>

### III. China-United States Relations

On June 2, 2026, the U.S. Trade Representative (USTR) proposed action against China and 59 other countries for their failure to prohibit or adequately restrict the export of goods to the U.S. containing forced labour under section 301 of the Trade Act of 1974. USTR has proposed tariffs of up to 12.5 percent on imports from China and other countries accused of using forced labour.<sup>29</sup> Reacting sharply, China cautioned that the U.S.' proposed tariff measures related to allegations of forced labour lack sufficient evidence, have no basis under international law, and bear the hallmarks of protectionism and unilateralism.<sup>30</sup> An editorial by the South China Morning Post cautioned that the Trump administration's latest tariff threat is like "old wine in a new bottle, alienating adversaries and allies alike".<sup>31</sup>

Moreover, a section of Chinese analysts noted that the Trump administration has shaken the foundations of the "Liberal International Order", opening doors for Washington and Beijing to "move beyond ideological confrontation" towards coexistence, strategic stability, and managed competition.<sup>32</sup> The U.S.' liberal internationalist approach based on alliances, especially in the military domain, will not be emulated by China as it does not have the will nor the capacity to do so. China's global influence would be anchored in a network of partnerships, not alliances.<sup>33</sup>

U.S. scholar Francis Fukuyama, who put forth a thesis titled "End of History" post the Cold War, stressing that there was no alternative to "Western Liberal Democracy", recently praised China's model of modernisation as impressive and a real alternative to Western democracy. Reacting to this, Chinese state media

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<sup>28</sup> "Beijing raises concerns over US initiatives in Nepal", The Kathmandu Post, June 16, 2026

<sup>29</sup> "USTR Makes Findings and Proposes Action in 60 Section 301 Investigations Relating to Failures to Take Action on Trade in Forced Labor Goods", Office of US Trade Representative, June 2, 2026

<sup>30</sup> "China's business community voices opposition to U.S. additional tariffs over forced labour claims", People's Daily, June 5, 2026

<sup>31</sup> "US tariff threat over forced labour looks like old wine in a new bottle", South China Morning Post, June 7, 2026

<sup>32</sup> "Trump has buried liberal world order but what comes next could be better", South China Morning Post, June 1, 2026

<sup>33</sup> "As the US dismantles its global hegemony, will China step up?", South China Morning Post, June 20, 2026

urged Western scholars to give up their prejudice against China and reflect on the limitations of Western democracy.<sup>34</sup>

Even as the U.S. and China agreed to promote a bilateral relationship featuring “constructive strategic stability”, on June 8, 2026, the U.S. Department of War added several Chinese companies, including BYD, Baidu, Alibaba, NIO, YMTC, CXMT, Unitree Robotics, Wuxi AppTec, and Hesai Technology to its list of entities linked to the Chinese military. China opposed the U.S.’ extreme national security measures through the use of “discriminatory lists” and urged Washington to stop its wrong practices and create a fair, just, and non-discriminatory business environment.<sup>35</sup> Analysts noted that such measures underscore America’s growing concerns about China’s advances in AI, robotics, semiconductor chips, EVs, batteries, biotechnology, and renewable energy.

China’s Ministry of Commerce, on its part, added 10 U.S. companies operating in sectors such as defence, aerospace, drones, and strategic minerals to its export control list. Chinese analysts noted that Beijing’s measures targeting the U.S.’ rare-earth companies are likely to test the durability of the fragile trade truce between the two countries.<sup>36</sup>

On June 12, 2026, the U.S. government, citing national security concerns, issued export control directives suspending foreign access to Anthropic’s Mythos 5 and Fable 5 AI models. This is the first such export control targeting a specific AI model, demonstrating the U.S.’ hands-on approach to regulating frontier AI models.<sup>37</sup> Earlier, President Trump issued an executive order requesting that technology companies voluntarily share advanced AI models with the government for review 30 days before their release to the public.<sup>38</sup> Meanwhile, China’s Zhipu AI reportedly launched its GLM-5.2 model, claiming that it is on par with Anthropic's Mythos in cybersecurity capabilities.<sup>39</sup>

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<sup>34</sup> “Understanding China is a required course for the likes of Fukuyama”, People’s Daily, June 4, 2026

<sup>35</sup> “US adds Alibaba, BYD and other Chinese tech champions to military company blacklist”, South China Morning Post, June 9, 2026

<sup>36</sup> “China adds 10 U.S. entities to export control list”, People’s Daily, June 22, 2026

<sup>37</sup> “Statement on the US government directive to suspend access to Fable 5 and Mythos 5”, Anthropic, June 12, 2026

<sup>38</sup> “Trump’s AI order seeks security safeguards without slowing race with China”, South China Morning Post, June 3, 2026

<sup>39</sup> “Chinese startup claims it can match Mythos level performance with new AI model”, Mint, June 29, 2026

Amidst widening U.S.-China strategic competition over AI, the U.S. lawmakers told a Congressional hearing that Washington must not allow China or any other adversary to gain a technological edge in AI.<sup>40</sup> In light of this, President Trump stated that the U.S. is leading China and everyone else in artificial intelligence and that AI regulation will safeguard security without slowing the race with China.<sup>41</sup> On the other hand, an editorial by the People's Daily urged the U.S. and China to "make AI the new frontier for bilateral cooperation".<sup>42</sup> Further, Chinese observers believe, given a choice between China and the U.S., Chinese AI products should be indispensable to middle powers, especially the EU.<sup>43</sup>

President Xi is likely to pay a State Visit to the U.S. in September 2026. In light of this, reports indicated that President Trump is unlikely to have a phone call with Taiwan's leader, Lai Ching-te, anytime soon, as the White House does not wish to derail the upcoming Xi-Trump Summit.<sup>44</sup> The U.S. is also unlikely to announce any new arms sales to Taiwan in the near term.<sup>45</sup> Meanwhile, Taiwan's opposition leader and the Chairperson of Kuomintang (KMT), Cheng Li-wun, during a seminar at a U.S. university, stressed that cross-strait peace can be maintained as long as Taiwan does not move towards "de jure independence".<sup>46</sup>

#### IV. China-European Union Relations

The G7 Summit was held in Évian, France, on June 16-17, 2026. In a joint Leaders' Declaration, the G7 reiterated their concerns about the use of non-market policies and practices, as well as economic coercion, including arbitrary export restrictions on critical minerals, which undermine economic security and resilience.<sup>47</sup> Reacting to the G7's statement on reducing reliance on any single supplier of critical minerals, Beijing urged the G7 to abide by the principles of a market economy and international trade rules, and to stop undermining the international trade and

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<sup>40</sup> "US lawmakers warn next revolution in AI race must be in America, not China", South China Morning Post, June 12, 2026

<sup>41</sup> "Trump's AI order seeks security safeguards without slowing race with China", South China Morning Post, June 3, 2026

<sup>42</sup> "Making AI new frontier for China-U.S. cooperation", People's Daily, June 4, 2026

<sup>43</sup> "In the age of AI sovereignty anxiety, could China be a safe bet for middle powers?", South China Morning Post, June 12, 2026

<sup>44</sup> "No call with Taiwan, no new arms sales: how Trump is preparing to welcome Xi", South China Morning Post, June 18, 2026

<sup>45</sup> Ibid.

<sup>46</sup> "KMT leader says Taiwan can preserve peace by avoiding 'de jure independence'", South China Morning Post, June 6, 2026

<sup>47</sup> "G7 Leaders' Joint Statements - Evian, France, 16-17 June 2026", European Council, June 17, 2026

economic order.<sup>48</sup> Chinese state media cautioned G7 countries that they are living in an illusionary world, in which the bloc is "prescribing medicines for others, while being ill themselves". Adding that, the G7 must wake up from the illusion, stop blaming China for their internal problems, embrace openness and inclusiveness, and promote universally beneficial economic globalisation.<sup>49</sup>

Amidst ongoing trade tensions between China and Europe, on June 29, 2026, the European Commissioner for Trade and Economic Security, Maros Šefčovič, and China's Minister of Commerce, Wang Wentao, held the first meeting of the EU-China Trade and Investment Consultations (TIC) in Brussels. The two sides agreed to four workstreams under the TIC, which include trade and investment balancing, export controls, intellectual property rights (IPR), and WTO reform.<sup>50</sup> According to analysts, these talks are key to avoiding a trade war between Beijing and Brussels over the EU's annual trade deficit with China, which amounts to EUR 360 billion.

Earlier, the EU's leaders instructed the European Commission to develop a toolbox of trade weapons to counter "China shock 2.0", defend European interests, and de-risk.<sup>51</sup> Reacting to this, a *Xinhua* commentary reminded the West that history is full of industrial "shocks", such as the Industrial Revolution in Britain (1760), which upended handicraft industries worldwide, and Japanese cars and electronics, which left Detroit reeling in the 1980s. However, none of these developments were considered a shock by the West, since they were the dominant force, whereas China's leadership in new energy technologies has been referred to as shock 2.0. Adding that China shock 2.0 is a "deliberate distortion of historical norms".<sup>52</sup>

On June 22, 2026, European Central Bank President Christine Lagarde urged global leaders to discuss the undervaluation of the Chinese Yuan, which is endangering the global economy.<sup>53</sup> Echoing Ms. Lagarde, German Chancellor Friedrich Merz stressed that Chinese currency was undervalued by 30 percent, well above the

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<sup>48</sup> "China urges G7 to abide by market economy principles on critical minerals supply", *People's Daily*, June 18, 2026

<sup>49</sup> "It's time for G7 to wake up from its 'leader's illusion'", *People's Daily*, June 15, 2026

<sup>50</sup> "Joint press statement by Commissioner Šefčovič and Minister Wang", *European Commission*, June 29, 2026

<sup>51</sup> "EU leaders demand von der Leyen tools up against China", *Politico*, June 19, 2026

<sup>52</sup> "The "China Shock 2.0" narrative: time for clear-eyed scrutiny", *Xinhua*, May 29, 2026

<sup>53</sup> "European Central Bank's President Lagarde urges talks on yuan undervaluation", *South China Morning Post*, June 23, 2026

International Monetary Fund's estimate of "above 16 percent".<sup>54</sup> European leaders increasingly view the Yuan's undervalued exchange rate against the Euro as a major factor behind a surge in Chinese shipments to Europe.<sup>55</sup> To address this situation, Chancellor Merz pointed to the "Plaza Accords" of 1985, signed by the U.S. and its European partners with Japan, to address concerns about the Yen's undervaluation.<sup>56</sup> Reacting to this, Chinese analysts rejected the idea of a new Plaza Accord for China, reminding the EU that China is not Japan of the 1980s, and that the EU is certainly not the U.S.<sup>57</sup>

Amidst a major heatwave sweeping Europe, China's exports of air conditioners and other cooling products, such as fan-equipped sun hats, fans, and blankets, have surged across the EU. In light of the ongoing debate in Europe over the trade deficit with China, an editorial by *Global Times* stressed that European consumers are seeking affordable, energy-efficient cooling products to tide over extreme heat. The Europeans are purchasing Chinese cooling products as they see these goods as affordable and efficient, not because of Chinese coercion or so-called industrial shock.<sup>58</sup>

## V. China-Russia Relations

On June 15, 2026, the European Union's High Representative for Foreign Affairs and Security Policy, Kaja Kallas, stated that Brussels has verified reports that the Chinese military has been "training the Russian military personnel to fight in Ukraine". She informed that the EU was assessing the implications of this development and that the ministers had agreed to sanction several Chinese entities.<sup>59</sup> NATO's Secretary-General Mark Rutte also stated that NATO was constantly monitoring China's military assistance to Russia, including the training of soldiers, the supply of dual-use goods, and circumvention of sanctions.<sup>60</sup> Reacting sharply, China urged NATO to do serious soul-searching, rectify its

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<sup>54</sup> "Germany backs EU's tough China line with call for 'Plaza Accord' talks on yuan", South China Morning Post, June 20, 2026

<sup>55</sup> Ibid.

<sup>56</sup> Ibid.

<sup>57</sup> "Europe wants a new Plaza Accord for China - seriously?", South China Morning Post, June 26, 2026

<sup>58</sup> "The essence of Europe's trade deficit with China, as seen through an air conditioner: Global Times editorial", Global Times, June 27, 2026

<sup>59</sup> "EU says China trained Russian troops as bloc weighs tougher stance on Beijing", South China Morning Post, June 15, 2026

<sup>60</sup> "We are not naive': NATO chief comments on China training Russian troops", RBC-Ukraine, June 17, 2026

misperceptions of China, stop instigating confrontation, and stop shifting the blame.<sup>61</sup>

On June 4, 2026, Russian President Vladimir Putin addressed a meeting of heads of 13 major international news agencies, including China's Xinhua. In his remarks, among other things, President Putin shed light on a strong rapport with "old friend" President Xi, laying a solid foundation for a comprehensive strategic partnership between Russia and China.<sup>62</sup> Xinhua News Agency's President Fu Hua and TASS Director General Andrey Kondrashov unveiled the Russian edition of the book titled "China's Governance Under Xi Jinping's Leadership" at the 29<sup>th</sup> St. Petersburg International Economic Forum.<sup>63</sup> China and Russia also continued the deepening trend of their parliamentary cooperation, with China's top legislator Zhao Leji making a goodwill visit to Moscow.<sup>64</sup>

China and Russia continue to conduct most of their bilateral trade in their own currencies. However, reports indicate that some cross-border payment bottlenecks still persist, as Chinese banks manage their exposure to U.S. and European sanctions on Russia.<sup>65</sup>

## Internal Developments

### Key Developments and Addresses by Chinese Leaders

On June 17, 2026, China's State Council Information Office released a white paper on just and equitable global governance. This paper shed light on Global Governance Initiative (GGI) put forth by President Xi in 2025, emphasising the importance of upholding multilateralism, fostering an equal and orderly multipolar world, and promoting inclusive economic globalisation.<sup>66</sup> In an editorial, Chinese state media drew a sharp contrast between Western discourse on global governance and China's approach. It was argued that under the hegemonic mindset of certain great powers, global governance has been distorted

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<sup>61</sup> "China urges NATO to do serious soul-searching on its role in world peace, stability", People's Daily, June 20, 2026

<sup>62</sup> "Putin says strong head-of-state rapport underpins Russia-China ties", People's Daily, June 6, 2026

<sup>63</sup> "Russian edition of Volume I of "China's Governance Under Xi Jinping's Leadership" launched in St. Petersburg", People's Daily, June 4, 2026

<sup>64</sup> "Chinese, Russian top legislators meet for enhancing parliamentary cooperation", People's Daily, June 1, 2026

<sup>65</sup> "Do China-Russia trade payment frictions show limits of de-dollarisation?", South China Morning Post, June 5, 2026

<sup>66</sup> "China releases white paper on global governance", People's Daily, June 17, 2026

into "governing the globe".<sup>67</sup> The UN has been weakened, and the post-World War II international system is experiencing severe shocks from multiple crises. On the other hand, China stands ready to work with all parties, advance multilateralism, fully implement GGI, and build a just and equitable global governance system.<sup>68</sup>

Earlier, on May 28, 2026, Chinese Foreign Minister Wang Yi addressed a meeting of the Group of Friends of Global Governance at the UN headquarters in New York, attended by representatives of more than 60 countries. FM Wang Yi proposed reforms in nine major areas, including the responsibilities of the UN Security Council, international peacekeeping operations, development cooperation, international human rights governance, governance of new frontiers (AI, cyberspace, finance, climate change, and outer space), and civilisational exchange for mutual learning.<sup>69</sup>

On June 11, 2026, China released its National Human Rights Action Plan (2026-2030), emphasising the importance of social justice and ensuring that the fruits of modernisation reach every section of society.<sup>70</sup>

On June 20, 2026, President Xi, in his remarks on regional development in China, reiterated the importance of cooperation between the country's eastern and western regions to advance common prosperity.<sup>71</sup> Meanwhile, during his inspection visit to the city of Dezhou, in east China's Shandong province, President Xi called for intensified efforts to modernise agriculture and rural areas.<sup>72</sup>

Marking International Children's Day, President Xi urged Chinese children to gain knowledge and enhance their capabilities across various endeavours in life, while carrying forward the CPC's revolutionary traditions. Xi noted that this year marks the CPC's 105<sup>th</sup> anniversary and encouraged young people to stay committed to the Party, build their character, and make strides towards China's modernisation.<sup>73</sup>

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<sup>67</sup> "Be united, and take action", People's Daily, June 18, 2026

<sup>68</sup> Ibid.

<sup>69</sup> "To reform global governance, nine major directions must be clearly identified: Global Times editorial", Global Times, May 30, 2026

<sup>70</sup> "China releases national human rights action plan for 2026-2030", People's Daily, June 11, 2026

<sup>71</sup> "Xi stresses regularising coordinated regional development for solid progress toward common prosperity", People's Daily, June 20, 2026

<sup>72</sup> "Xi calls for solid measures to modernize agriculture, rural areas", People's Daily, June 25, 2026

<sup>73</sup> "Xi encourages children to carry forward revolutionary traditions", People's Daily, June 1, 2026

According to a report by the Boston Consulting Group (BCG), China's Hong Kong Special Administrative Region (HKSAR) has dethroned Switzerland as the world's largest cross-border wealth booking centre, with assets totalling USD 2.95 trillion in 2025. Chinese analysts noted that Hong Kong's investment environment and access to global markets continue to attract high-net-worth Asian clients.<sup>74</sup>

## Trade and Economy

Despite the U.S.-Iran conflict in West Asia, China's exports expanded by 19.4 percent year-on-year to USD 376.78 billion in May 2026. A spike in U.S. imports, driven by some improvement in China-U.S. trade relations and rising demand for AI-related products, was the primary driver of China's export growth.<sup>75</sup>

China hosted the World Economic Forum's 17<sup>th</sup> Annual Meeting of the New Champions, also known as Summer Davos, in Dalian on June 24, 2026. In his remarks at this forum, Chinese Premier Li Qiang emphasised the importance of innovation in ensuring China's long-term economic resilience and stable growth.<sup>76</sup> Despite concerns about China Shock 2.0 (industrial overcapacity), Chinese state media claimed that "China Opportunity 2.0" emerged as a global trend at Summer Davos.<sup>77</sup>

China's total installed power generation capacity reached 4 billion kilowatts by May 2026, making it the world's largest power generator. Non-fossil energy accounted for 62 percent of China's total installed power capacity, up from 25 percent in 2010.<sup>78</sup> China's EV revolution also continues to transform the country's transport sector. Reports indicated that in May 2026, EVs accounted for 56.9 percent of all new car sales in China.<sup>79</sup> Chinese Automaker NIO's founder William Li believes EV penetration in the country will exceed 90 percent by 2030.<sup>80</sup>

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<sup>74</sup> "Hong Kong takes crown as top wealth hub, likely to keep it", People's Daily, June 11, 2026

<sup>75</sup> "China's export machine defies gravity as shipments soar in May", South China Morning Post, June 9, 2026

<sup>76</sup> "Innovation key to China's long-term economic resilience, stable growth: Premier", People's Daily, June 24, 2026

<sup>77</sup> "Grasping the global significance of Chinese modernization through 'China opportunity 2.0': Global Times editorial", Global Times, June 25, 2026

<sup>78</sup> "China's installed power generation capacity exceeds 4 billion kilowatts", People's Daily, June 25, 2026

<sup>79</sup> "Chinese consumers embrace NEVs amid tech boom, soaring fuel costs", People's Daily, June 22, 2026

<sup>80</sup> Yicai, Official X Handle Yicai China, June 26, 2026

## Defence and Security

On May 28, 2026, Japan and the Philippines announced the launch of maritime delimitation negotiations in the waters east of Taiwan. Reacting to this, China opposed Japan and the Philippines launching the so-called "maritime delimitation negotiations" in waters east of China's Taiwan island and urged Tokyo and Manila to immediately stop their "illegal infringements" and "provocative acts".<sup>81</sup> The China Coast Guard (CCG) conducted law enforcement patrols in the relevant waters.<sup>82</sup> On June 27, 2026, China and Russia also conducted their 11<sup>th</sup> joint strategic air patrol over the Sea of Japan, the East China Sea, and the Western Pacific Ocean.<sup>83</sup>

Meanwhile, on June 24, 2026, the representative offices of the UK, France, and Germany in Taipei issued a joint statement expressing concern over China's intensified maritime operations in waters east of Taiwan, which they said threaten regional stability and freedom of navigation. The American Institute in Taiwan also supported the E3's joint statement.<sup>84</sup> Reacting sharply, Chinese analysts warned that the coordinated statements by the U.S., UK, France, and Germany is like handing a knife to "Taiwan independence" separatist forces, while providing cover to Japan and the Philippines to continue their illegal activities.<sup>85</sup>

Amidst continuing tensions between China and the Philippines, on June 30, 2026, China's Ministry of Natural Resources released "Assessment Report on the United Nations Convention on the Law of the Sea - Achievements, Positioning, and Challenges". In this report, China reiterated its rejection of the so-called "South China Sea Arbitration" initiated by the Philippines. Chinese analysts claimed that the Philippines deliberately packaged a territorial sovereignty dispute as a maritime rights dispute in the SCS, so that it could be resolved under UNCLOS. However, China maintains that territorial sovereignty disputes fall outside the convention's jurisdiction.<sup>86</sup>

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<sup>81</sup> "Japan, Philippines will reap what they sow if they persist in wrong course: Defence Spokesperson", MND PRC, June 9, 2026

<sup>82</sup> Ibid.

<sup>83</sup> "China, Russia conduct 11th joint strategic air patrol over Sea of Japan, East China Sea and Western Pacific: Chinese MND", Global Times, June 27, 2026

<sup>84</sup> "Four countries try to team up to back 'Taiwan independence'? Not a chance: Global Times editorial", Global Times, June 26, 2026

<sup>85</sup> Ibid.

<sup>86</sup> "China releases assessment report on UNCLOS, exposing Philippines' core tactics of abusing the Convention", Global Times, June 30, 2026

China-Japan tensions continued. China's Ministry of National Defence reiterated its concern over Japan's intensified remilitarisation and description of China as an "unprecedented and greatest strategic challenge", which will be countered by comprehensive national strength.<sup>87</sup> Beijing also claimed that Japan's pursuit of nuclear weapons has become a real threat.<sup>88</sup>

On June 8, 2026, during his visit to the Democratic People's Republic of Korea (DPRK), President Xi met with DPRK's President, Kim Jong Un, in Pyongyang. The two leaders pledged to deepen their bilateral partnership rooted in their shared ideals and beliefs as socialist countries led by communist parties.<sup>89</sup>

## Technology

China's State Council released new regulations governing outbound investment, especially in the high-technology sector, from the Chinese mainland, including Hong Kong SAR, Macao SAR, and Taiwan, which take effect on July 1, 2026. These measures follow Nexperia's dispute with the Netherlands and Beijing's blocking of Meta's acquisition of the Chinese AI startup Manus. The core objective of the new regulations is to advance China's national interest by retaining strategic technologies in the country, while supporting foreign investment that advances the global competitiveness of Chinese companies.<sup>90</sup>

On June 23, 2026, China's domestically developed supercomputer 'LineShine' secured top spot among the world's top 500 supercomputers at the International Supercomputer Conference held in Hamburg, Germany. Reacting to this, Chinese state media asserted that, despite the U.S.'s widening export controls on advanced chips, China continues to make strides toward high-technology self-reliance. Adding that, prior to 'LineShine', no country had ever built a supercomputer without relying on products from American chip companies.<sup>91</sup>

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<sup>87</sup> "Japan Is Becoming a Powder Keg for Asia-Pacific: Defence Spokesperson", MND PRC, June 16, 2026

<sup>88</sup> "Japan's pursuit of nuclear weapons has become a real threat: Defence Spokesperson", MND PRC, June 25, 2026

<sup>89</sup> "Xi Jinping Holds Talks with Kim Jong Un", MFA PRC, June 8, 2026

<sup>90</sup> "China tightens outbound tech investment rules following Nexperia and Manus disputes", South China Morning Post, June 1, 2026

<sup>91</sup> "Chinese supercomputer returns to the world's top spot, sending multiple signals: Global Times editorial", Global Times, June 25, 2026

Amid the widening U.S.-China strategic competition, reports indicated that biotechnology could become the next battleground between the two countries. Sustained investment, cost advantages, and faster development timelines are key drivers of China's rise in the biotechnology sector.<sup>92</sup>

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<sup>92</sup> "The next tech war? Why biotech may become a new US-China battleground", South China Morning Post, June 2, 2026



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