



# Delhi Policy Group

Advancing India's Rise as a Leading Power



## DPG China Monitor

June 2021



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Delhi Policy Group

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

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### ABOUT US

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### DPG China Monitor

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

### Cover Photograph:

*The US recently expressed concern over China's nuclear buildup. File Photo- Courtesy- Deutsche Welle.*

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## Abstract

India and China agreed to hold the 12th round of military talks to discuss disengagement on the friction points in Eastern Ladakh. There were reports of a major Chinese troop buildup in the Ladakh Sector, as also upgradation of PLA air bases in the proximity of the LAC.

External Affairs Minister Dr. S. Jaishankar observed that the fundamental issue pertaining to the border stalemate is whether or not India and China can premise their relationship on mutual respect and sensitivity. The Chinese Foreign Ministry's response was that China's troop deployment in the border areas is aimed at preventing India from encroaching into its territory.

China is reportedly funding international news agencies to build a favourable narrative in respect of Pakistan. The Chinese military has been helping the Pakistan army to develop capabilities in high altitude warfare, and reportedly organised a 45-day training camp near Gilgit in Pak Occupied Kashmir. Amid reports of a rise in violence ahead of the complete withdrawal of NATO and US troops, China warned its nationals to leave Afghanistan.

Following allegations of financial irregularities, China withdrew from investing in three infrastructure projects in Bangladesh. Protests erupted in Nepal against a Chinese firm (CRCC) undertaking road construction for causing serious environmental damage resulting in landslides and property damage. Meanwhile, China and Nepal are slated to jointly develop three hydropower projects on the Marsyangdi river in the Manang and Lamjung districts of western Nepal. Questions are being raised about a possible Chinese military presence in Sri Lanka following sightings of persons wearing PLA uniforms.

On US-China ties, the main issues covered in the Chinese media during the month included US efforts at decoupling from China and to build consensus with European powers over China's malign behaviour and human right record. China's growing nuclear build-up and Washington's political proximity with Taiwan were among other issues.

The EU-US Summit in Brussels on June 15 came in for severe criticism in the Chinese media, particularly the joint statement underlining shared concerns over China's human rights violations in Xinjiang and Tibet; the crackdown on democratic processes in Hong Kong; economic coercion; disinformation campaigns; and regional security issues. Meanwhile, Italian Prime Minister Mario Draghi, during the G7 Summit, announced that his country will review cooperation with China on the 'Belt and Road Initiative'.

Chinese President Xi Jinping and his Russian counterpart Vladimir Putin held a virtual meeting on June 28 to discuss the future trajectory of their strategic partnership. The joint statement issued after the meeting announced the extension of the bilateral Treaty on Good-Neighbourliness and Friendly Cooperation.

Following their UK summit, the G7 countries launched an initiative to “Build Back Better World (B3W)”. Touted as a counterpoise to China’s BRI strategy, the B3W intends to work and collaborate with “like-minded partners.” India indicated that it will study the G7 initiative and consider engagement.

As the threat of western sanctions continues to grow, China’s National People’s Congress (NPC) adopted a law to counter foreign sanctions.

Under the law, those who sanction China will become the target of Beijing’s retaliatory anti-sanctions.

Chinese state media highlighted a boom in FDI inflows, reflecting investor optimism about the country’s market. Reports also highlighted that geopolitics have little impact on the country’s trade as “China has emerged as the largest trading partner of more than 120 countries and regions” which has “greatly increased China’s room for manoeuvring against non-market fluctuations”.

Even as the Chinese economy continued to recover, Premier Li Keqiang emphasised the “importance of boosting market vitality to promote sound economic growth as the domestic and external environment remains complicated and grim”.

China’s first Fuxing bullet train began operations in the Tibet autonomous region linking the regional capital Lhasa to Nyingchi, a distance of 435 Km. Nyingchi is located less than 16 Km. from the LAC, which will allow the Chinese military a rail transportation route for a rapid build-up on the borders of India’s Arunachal Pradesh.

As the official exchange rate of the Chinese yuan remained high against the US Dollar, the People’s Bank of China (PBOC) sent clear signals that “rapid appreciation of ‘Yuan’ is not sustainable”. Despite this, a euphoric Chinese media highlighted the possibilities of the ‘Yuan’ becoming the world’s currency of choice by 2050 under Beijing’s dual circulation plan.

Responding to US intent to establish a “trade strike force” led by the USTR to halt the “hollowing out” of American industry, Chinese analysts argued that “the new task force and government support for American businesses highlight

Biden administration's "more aggressive" stance towards China, and its willingness to implement industrial policy to maintain international dominance".

As China's comprehensive national strength continues to grow, President Xi Jinping stressed the necessity of improving the country's international communication matching its international status. Marking the centenary of the founding of the Communist Party of China (CPC) on July 1, President Xi inaugurated an exhibition on the history of CPC and conferred July 1 medals on CPC members with outstanding contributions. According to the CPC Central Committee, as of June 5, the party's membership stands at 95.148 million.

China's State Council issued a white paper titled "China's Political Party System: Cooperation and Consultation," elaborating the characteristics and strengths of the country's political system.

China National Petroleum Corporation (CNPC) claimed to have discovered a new one billion tonne oil and gas reserve in the Tarim Basin in the Xinjiang Uygur Autonomous Region, the largest such discovery in nearly 10 years.

As the Biden administration continues to promote a "Indo-Pacific Policy", the Chinese Ministry of National Defence stressed that "a strategy emphasising military presence and military competition will only heighten regional tensions and undermine world peace and stability". Tensions between China and the United States on Taiwan showed no sign of abating. China urged the US to stop official exchanges and military contacts with Taiwan, and refrain from sending any wrong signals to separatist elements advocating Taiwan independence. On June 15, the PLA dispatched a record-breaking sortie of 28 aircrafts to conduct an exercise surrounding Taiwan in a show of intimidation. USS Curtis Wilber sailed through the Taiwan Strait on June 22, leading to China asserting that the "US is the biggest troublemaker for the regional security".

After the NATO summit held in Brussels described China as presenting a "systemic challenge," Beijing rejected such claims as "continuation of cold war mentality and bloc politics".

The Stockholm International Peace Research Institute (SIPRI) reported that China is expanding its nuclear arms stockpile and building additional silos for its strategic forces. China reiterated its "no first use" policy.

China passed its first law on data security, imposing steep punishments for unauthorised data transfers abroad.

President Xi Jinping tasked Vice Premier Liu He to lead Beijing's efforts in developing indigenous semiconductor self-sufficiency through the development of new third-generation chips that go beyond traditional 'silicon-based chips' in which no country yet dominates.

Marking another milestone in China's space prowess, on June 17 three Chinese astronauts of the Shenzhou-12 manned spacecraft crew docked with and moved into the 'Tianhe' space core module of the 'Tiangong' space station.

## Foreign and Security Policy

### I. China-India Relations

India and China agreed to hold the [12<sup>th</sup> round of military talks](#) to discuss disengagement on the friction points in Eastern Ladakh.<sup>1</sup> According to a statement issued by India's External Affairs Ministry following a meeting of the [Working Mechanism for Consultation and Coordination \(WMCC\)](#) on border affairs, both sides agreed on the need to find an early resolution to the deadlock along the LAC.<sup>2</sup> In contrast, the statement issued by the Chinese foreign ministry did not talk about "completing" the disengagement process, mentioning instead "consolidating" the disengagement process. Meanwhile, there were reports of a major Chinese troop buildup in the Ladakh Sector, as also upgradation of PLA air bases in the proximity of the LAC.

Meanwhile, a war of words erupted over the External Affairs Minister Dr. S. Jaishankar's observation that [the fundamental issue pertaining to the border stalemate](#) is whether or not India and China can premise their relationship on mutual respect and sensitivity. He further added that the border stalemate preceded the QUAD, hence the latter has no direct connection with the border standoff.<sup>3</sup> The Chinese Foreign Ministry spokesperson Zhao Lijian, reacting to these remarks, insisted that China's troop deployment in the border areas is aimed at preventing India from encroaching on its territory. Further, he blamed India's "aggressive posture" for the ongoing stalemate. Reacting to these Chinese comments, MEA spokesperson Arindam Bagchi pointed out that [China's multiple actions](#) ranging from amassing of troops and its effort to unilaterally alter the status quo along the LAC had "seriously" disturbed peace and tranquillity in the border areas.<sup>4</sup>

The PLA Air Force ([PLAAF](#)) [has reportedly upgraded its airbases](#) at Hotan in Xinjiang and Nyingchi in Tibet<sup>5</sup>, both of which are situated in the proximity of the LAC in Ladakh and Arunachal Pradesh. This will enable a rapid projection of air power in any conflict scenario. Added to this is the proposed deployment

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<sup>1</sup> "Ladakh standoff | India, China prepare for 12th round of military commander talks," [The Hindu](#), June 25, 2021

<sup>2</sup> "At India-China meet, a push to hold early meeting of military commanders," [Hindustan Times](#), June 25, 2021

<sup>3</sup> "Larger issue is whether India, China can build relationship based on mutual sensitivity, respect: S Jaishankar," [The Economic Times](#), June 22, 2021

<sup>4</sup> "LAC: MEA hits back, blames China for standoff," [The Times of India](#), June 25, 2021

<sup>5</sup> "Chinese S-400 systems across LAC, forces India to rethink air defence," [Hindustan Times](#), June 23, 2021



of the S-400 system at these bases, forcing the Indian Air Force and Air Defence planners to recalibrate the air threat from the PLAAF.<sup>6</sup>

China has reportedly raised a Tibetan Militia unit comprising 100 soldiers, recruited from among local Tibetan youth. [There are reports of raising another militia company](#) of the same strength. Reports indicate possible deployment of these units along the Chumbi Valley in Sikkim.<sup>7</sup>

China also unveiled an electrified bullet train connecting the provincial capital Lhasa and Nyingchi, a Tibetan border town close to Arunachal Pradesh.<sup>8</sup> This will allow China a rapid build-up of men and material in case of a border standoff or escalation.



A Fuxing bullet train runs on the Lhasa-Nyingchi railway during a trial operation in Shannan, in the southwest of China's Tibet Autonomous Region, June 16, 2021.

Source: Xinhua

China's armed forces have meanwhile undertaken "record-breaking" high-altitude exercises, organised by the PLA's Tibet Military Region. The training simulated battle situations requiring integrated operations and joint training between troops deployed in the region. Exercises took place in the [Tibet](#)

<sup>6</sup> Ibid.

<sup>7</sup> "China raises new militias of Tibetan youth, deploys 1st batch in Chumbi Valley," [Hindustan Times](#), June 22, 2021

<sup>8</sup> "China inaugurates 1st fully electrified bullet train near Indo-Tibetan border," [Hindustan Times](#), June 25, 2021

[Autonomous Region \(TAR\)](#) which borders India, Nepal, and Bhutan at an altitude of around 3700 meters.<sup>9</sup>

On the economic front, trade between [India and China soared by 70% in the first five months of 2021](#). The sudden increase is spurred by India's medical equipment imports from China.<sup>10</sup>

## II. China- South Asia Relations

As part of influence operations, China is said to be funding international news agencies to build a favourable narrative on Pakistan, probably to support its removal from the FATF grey List. In another development, [Chinese fishing trawlers were spotted at the Gwadar port](#) where they reportedly came to catch fish which are then processed and sold in the international market. This has caused disquiet among the local fishermen, as they fear being deprived of their livelihoods.<sup>11</sup> While China's state media boasts of new opportunities opened up by CPEC, there are reports that these projects face opposition from various political parties across Pakistan, resulting in a delays in project implementation. In response, China has begun to engage political parties at the federal and state-level to ensure the smooth execution of CPEC [projects](#).<sup>12</sup>

On the security front, reports suggest that the Chinese military has been helping the Pakistan army to develop high altitude warfare skills. Reportedly, a [45-day training camp attended by five PLA members](#) was held from May 1 at the Sipahi Camp, in Chinar Bagh, Jaglot, close to Gilgit in Pak Occupied Kashmir.<sup>13</sup>

Amid reports of a rise in violence ahead of the [complete withdrawal of NATO and US troops](#), China warned its nationals to leave Afghanistan.<sup>14</sup> [US withdrawal has two connotations](#) for China: (i) the strategic vacuum creates room for China to expand its influence in the region; and (ii) the unrest in Afghanistan and rise of radical Islam could have a spill over effect in bordering

<sup>9</sup> "China carries out military drill in Tibet," [Hindustan Times](#), June 24, 2021

<sup>10</sup> "Trade with India jumped by over 70% in 2021, shows China's customs data," [Hindustan Times](#), June 8, 2021

<sup>11</sup> "Chinese 'factory ships' at Pakistan's Gwadar port threaten livelihoods of Baloch fishermen," [ANI](#), June 13, 2021

<sup>12</sup> "CPEC delays force China to change strategy in Pakistan," [The Economic Times](#), June 18, 2021

<sup>13</sup> "China's military assistance to Pakistan continues as Chinese instructors readying Pak Army soldiers," [Times Now](#), June 21, 2021

<sup>14</sup> "China tells its nationals to leave Afghanistan urgently as violence spirals," [South China Morning Post](#), June 21, 2021

Xinjiang.<sup>15</sup> Given the fast deteriorating security situation in Afghanistan, [China expressed deep concern](#) and has urged the US to withdraw responsibly.<sup>16</sup>

Following allegations of misappropriation of funds, China withdrew from investing in three infrastructure projects in Bangladesh. The three projects had been approved on a Government to Government (G to G) basis. Reports claimed that Chinese contractors kept extending the project duration on various pretexts, pushing up the costs. There are also reports of huge cost overruns in the [Padma Bridge railway line](#) and underwater tank construction projects in Chittagong (both G to G projects), due to repeated extensions.<sup>17</sup> Meanwhile, [Bangladesh has signed a non-disclosure agreement with Sinopharm](#) over vaccine prices.<sup>18</sup> In a related development, Bangladesh has also approved human trials of a Chinese Covid-19 vaccine in the country.<sup>19</sup>

Besides Bangladesh, the Nepalese government has also signed a non-disclosure agreement with Sinopharm for procurement of vaccines. However, [Sinopharm's proposal was contradictory to Nepal's laws](#) which have no provisions for non-disclosure agreements in public procurement.<sup>20</sup>

Meanwhile, [protests erupted in Nepal's Sindhupalchawk against](#) the Chinese firm, China Railway Construction Corporation, which was responsible for road construction, for causing serious environmental damage resulting in landslides and property damage.<sup>21</sup> [The \(CRCC\) was blacklisted](#) by the US authorities in June this year.<sup>22</sup>

China and Nepal are slated to jointly develop three hydropower projects on the Marsyangdi river in the Manang and Lamjung districts of western Nepal.<sup>23</sup>

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<sup>15</sup> "How the US withdrawal from Afghanistan raises China's risk of jihadist attacks," [South China Morning Post](#), June 23, 2021

<sup>16</sup> "Chinese envoy voices grave concern over situation in Afghanistan," [Global Times](#), June 23, 2021

<sup>17</sup> "Embezzlement charges: China withdraws from financing three infra projects in Bangladesh," [The Economic Times](#), June 24, 2021

<sup>18</sup> "Bangladesh to buy Chinese Covid-19 vaccines for undisclosed price," [Mint](#), June 13, 2021

<sup>19</sup> "China Vaccine 'Vero Cell': Green light for human trial in Bangladesh," [The Daily Star](#), June 24, 2021

<sup>20</sup> "Nepal signs non-disclosure agreement to buy Chinese Covid-19 vaccines but legal questions remain," [The Kathmandu Post](#), June 6, 2021

<sup>21</sup> "Protests in Nepal's Sindhupalchawk against Chinese road construction firm after landslides," [Times Now](#), June 22, 2021

<sup>22</sup> "Executive Order Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China," [White House](#), June 3, 2021

<sup>23</sup> "China-Nepal joint venture gets nod to develop hydropower projects in Nepal," [China.org.cn](#), June 24, 2021

There is concern that a [US\\$8 billion planned railway link project](#) connecting China and Nepal might traverse through the protected Himalayan eco-system, causing extensive ecological damage.<sup>24</sup> In the recent past, [China's approval to develop hydropower projects](#) on the lower reaches of the Brahmaputra have raised concerns among environmentalists for impact on the ecosystem and downstream water supplies.<sup>25</sup>

Questions are being raised about a [possible Chinese military presence in Sri Lanka](#) after Chinese individuals were spotted wearing PLA People's uniforms at a civil operation to dredge and clean the 'Tissamaharama Wewa' in southern Sri Lanka.<sup>26</sup>

On the trade front, a [China Sri Lanka Association for Trade and Economic Cooperation \(CSLATE\)](#) was inaugurated on June 15 to enhance trade and investment cooperation between the two countries.<sup>27</sup> Marking the [bilateral friendship Sri Lanka inaugurated a hospital](#) built under a grant of the Chinese government on June 12.<sup>28</sup> [Sri Lanka also flagged off a 675 million US dollar elevated expressway](#) to be built on a 15 year build-operate-transfer contract by the China Harbour Engineering Company (CHEC).<sup>29</sup> Reportedly, CHEC's mother company, China Communications Construction Company (CCCC), has been [blacklisted in June 2021 by the Biden Administration](#) for undermining the security or democratic values of the US and its allies.<sup>30</sup>

[Sri Lanka has defended China on the Xinjiang issue](#) amid reports of the persecution of the minority Uighur community.<sup>31</sup> In an unprecedented move, Sri Lanka will also issue [a special coin marking the centenary celebrations](#) of the Communist Party of China.<sup>32</sup>

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<sup>24</sup> "China-Nepal rail link may go through protected Himalayan park," [South China Morning Post](#), June 26

<sup>25</sup> "China's hydropower project in Tibet a reason to worry for India," [WION](#), March 8, 2021

<sup>26</sup> "Questions raised about possible Chinese military presence in Sri Lanka," [Colombo Page](#), June 22, 2021

<sup>27</sup> "China-Sri Lanka Association for Trade and Economic Cooperation (CSLATE) inaugurated at the Embassy of Sri Lanka," [Colombo Page](#), June 21, 2021

<sup>28</sup> "President opens China-Sri Lanka Friendship National Nephrology Hospital," [Daily News](#), June 12, 2021

<sup>29</sup> "Sri Lanka flags off US\$675mn elevated expressway by China Harbour," [Economy Next](#), June 10, 2021

<sup>30</sup> "Executive Order Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China," [White House](#), June 3, 2021

<sup>31</sup> "Sri Lanka defends China on Xinjiang despite reports of Uighur persecution," [Colombo Gazette](#), June 22, 2021

<sup>32</sup> "Sri Lanka issuing coin to mark Chinese Communist Party's centenary," [Sunday Times](#), June 27, 2021

### III. China-United States Relations

US-China mutual acrimony continues to persist. The issues flagged in the Chinese media related to US decoupling efforts from China and the US President's efforts, during his recent tour of Europe, to build a consensus over Chinese malign behaviour and human right records. A growing Chinese nuclear build-up and Washington's political proximity with Taiwan were among other two issues that received media attention.

Secretary of State Antony J. Blinken, during a June 11 phone call with Chinese Communist Party Politburo Member and Director of the Office of the Foreign Affairs Commission, Yang Jiechi, discussed [various bilateral matters including denuclearization of the Korean Peninsula](#), Iran, Burma (Myanmar), the climate crisis and COVID-19. Blinken also emphasised U.S. concern over the deterioration of democratic norms and human rights abuses in Hong Kong and Xinjiang.<sup>33</sup>



The US recently expressed concern over China's nuclear buildup. File Photo- Deutsche Welle.

Chinese state media suggested that this reflected [Washington's concern over China's](#) growing counterbalancing capabilities against the US.<sup>34</sup> After [G7 countries chided China over human rights](#), crackdown on democracy and demanded full investigation of the origins of the coronavirus, the Chinese state

<sup>33</sup> "Secretary Blinken's Call with Politburo Member Yang," [US Department of State](#), June 11, 2021

<sup>34</sup> "US belittling China, CPC a self-emboldening move," [Global Times](#), June 28, 2021

media slammed the G7 for conspiring against China to uphold Western hegemony.<sup>35</sup>

A letter addressed to US President Joe Biden by members of the House Foreign Affairs Committee, the Armed Services Committee, and the House Permanent Select Committee, urging him to come up with a comprehensive inter-agency strategy to control China's nuclear build-up, elicited a strident response in Chinese state media. A report in *Global Times* called it an attempt to mislead the US government and society and incite hostility towards China. Denying [Chinese support for a nuclear arms race](#), the paper stated that as a major power China "must increase" the number of nuclear warheads to counter the US strategic threat to China.<sup>36</sup> It appears that China is building both its strategic and intermediate nuclear forces to upgrade strategic deterrence and also prepare for the situation when it will be forced to take part in the arms control talks and the INF Treaty.

China's new [anti-foreign sanctions law \(passed on June 10\)](#) puts forward retaliatory measures such as denying visas, deportation or seizing assets of those who comply with sanctions against Chinese businesses or officials.<sup>37</sup> China's move comes after the [US government further expanded a blacklist of Chinese enterprises](#) that includes 59 firms including Huawei, SMIC, and CASTC.<sup>38</sup> Over the past year, China has sanctioned American officials, European academics and EU politicians. It has also sanctioned defence companies like Lockheed Martin and Raytheon over weapon sales to Taiwan.

U.S. attempts to secure a strategic advantage through instruments such as the ['Innovation and Competition Act'](#) which aims to bolster US semiconductor production and the development of artificial intelligence with an eye on China, was severely criticised in the Chinese media.<sup>39</sup> Adding to these irritants is the Biden administration's idea of setting up a ["strike force"](#) to fight China's unfair trade practices.<sup>40</sup> A report claimed that [US decoupling with China](#) will lead to an unprecedented scenario: given that China plays an important role in the

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<sup>35</sup> "'The Last G7': Satirical cartoon mocking bloc's attempt to suppress China goes viral," [Global Times](#), June 13, 2021

<sup>36</sup> "Three US senators incite confrontation with lies about 'nuclear parity'," [Global Times](#), June 10, 2021

<sup>37</sup> "China's newly passed Anti-Foreign Sanctions Law to bring deterrent effect against Western hegemony," [Global Times](#), June 10, 2021

<sup>38</sup> "Biden Expands Blacklist of Chinese Companies Banned From U.S. Investment," [The Wall Street Journal](#), June 3, 2021

<sup>39</sup> "Statement of President Joe Biden on Senate Passage of the U.S. Innovation and Competition Act," [White House](#), June 8, 2021

<sup>40</sup> "US-China relations: Biden administration to set up 'strike force' to go after China on trade," [South China Morning Post](#), June 8, 2021

global industrial supply chain, US decoupling efforts will divide the globalised world.<sup>41</sup>

Taiwan continued to be a critical point in US- China acrimony. A visit by US senators to Taiwan in a USAF plane was referred to by the Chinese Defence Ministry as a [“very vicious political provocation”](#) that violates the one-China principle.<sup>42</sup> Reports also claimed that a US warship [USS Curtis Wilbur sailed through the sensitive Taiwan Strait](#) as part of FONOPS during the same period, in an obvious show of force.<sup>43</sup> China warned the US against pursuing a trade deal with Taiwan after the US Secretary of State signalled the possibility of resumption of trade talks. The [US has recently stepped up support for Taiwan](#), pledging help to fight against COVID-19, sending high-level delegations, and approving new arms sales.<sup>44</sup> According to a report in the South China Morning Post, [the US administration will urge Taiwan](#) to avoid any provocative action that could elicit a response from Beijing.<sup>45</sup>

As a part of the [Biden Administrations policy of “cooperate and compete”](#), US National Security Adviser meanwhile signalled the possibility of Xi-Biden talks taking place soon.<sup>46</sup>

#### IV. China-European Union Relations

[The EU- US Summit](#) in Brussels on June 15 came in for severe criticism in the Chinese media, particularly the joint statement underlining EU-US shared concerns over China’s human rights violations in Xinjiang and Tibet; the crackdown on democratic processes in Hong Kong; economic coercion; disinformation campaigns; and regional security issues.<sup>47</sup> Reacting to this, the Chinese mission urged the EU to stop interfering in China’s internal affairs.

The month saw a range of responses from European leaders over China’s engagement with the EU. France’s Foreign Minister, Jean- Yves Le Drian, during talks with US Secretary of State Antony Blinken, said that the [EU and China are competitors in economic spheres](#) but can collaborate on climate

<sup>41</sup> “Decoupling from China will see US globally detached,” [Global Times](#), June 2, 2021

<sup>42</sup> “‘Very vicious political provocation,’ says defense ministry in response to US senators’ visit to Taiwan island by military plane,” [Global Times](#), June 8, 2021

<sup>43</sup> “China-US relations: USS Curtis Wilbur sails through Taiwan Strait,” [South China Morning Post](#), June 23, 2021

<sup>44</sup> “US’ Taiwan card extends to economy,” [Global Times](#), June 8, 2021

<sup>45</sup> “US touts Taiwan ‘porcupine’ strategy to thwart Chinese threat,” [South China Morning Post](#), June 18, 2021

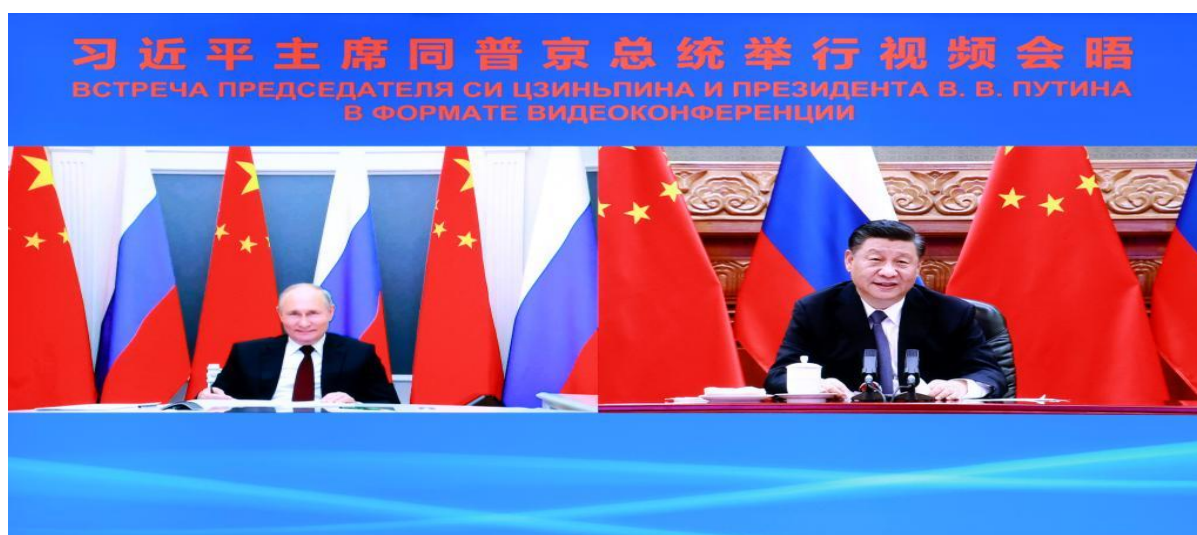
<sup>46</sup> “Relations may be too tense for Xi-Biden talks,” [South China Morning Post](#), June 18, 2021

<sup>47</sup> “U.S.-EU Summit Statement,” [The White House](#), June 15, 2021

change and biodiversity.<sup>48</sup> He added that France and the US need to pursue a “clear and pragmatic” policy towards China. [During the NATO Summit on June 15](#), German Chancellor Angela Merkel urged NATO to maintain a sense of balance in its dealings with China.<sup>49</sup> Meanwhile, during the [G7 summit Italian Prime Minister Mario Draghi](#) said that the country’s cooperation with China on the ‘Belt and Road Initiative’ shall be reviewed.<sup>50</sup> After the EU has frozen progress on the Comprehensive Agreement on Investment, China has begun to tap support from European countries like Serbia, Austria, Hungary, Greece, and Poland to expand its engagement in the EU.

## V. China-Russia Relations

The US-Russia Summit (Geneva, June 16) ended with the two sides releasing a joint statement aimed at pursuing an integrated bilateral Strategic Stability Dialogue. While the joint statement did not categorically mention China, President [Biden during a press conference stated](#), “Russia is in a very, very difficult spot right now. It is being squeezed by China.” Chinese state media saw this as an American attempt to [drive wedge between China and Russia](#).<sup>51</sup> Prior to the summit [President Putin in an interview](#) reaffirmed Russia’s close ties with “friendly” China, including support for China on the Uyghur issue.<sup>52</sup>



Chinese President Xi Jinping and Russian President Vladimir Putin hold talks via video conference, June 28, 2021. Source: Xinhua

<sup>48</sup> “China's a partner and rival to EU, says France's foreign minister amid U.S. talks,” CGTN, [June 26](#), 2021

<sup>49</sup> “Merkel Urges Caution as Allies Turn Focus to China: NATO Update,” [BloombergQuint](#), June 14, 2021

<sup>50</sup> “Italy's Draghi says G7 had to be frank about China,” [Reuters](#), June 13, 2021

<sup>51</sup> “Biden’s way of slamming Beijing-Moscow relations is humiliating Russia: Global Times editorial,” [Global Times](#), June 18, 2021

<sup>52</sup> “The Vladimir Putin Interview: An NBC News exclusive,” [NBC News](#), June 14, 2021



Chinese President Xi Jinping and his Russian counterpart Vladimir Putin held a [virtual meeting on June 28](#) to discuss the trajectory of strategic partnership between the two countries. The joint statement issued after the meeting announced the extension of the twenty year old bilateral Treaty of Good-Neighbourliness and Friendly Cooperation.<sup>53</sup>

Commenting on China-Russia synergy, the [NATO Secretary General Jens Stoltenberg](#) spoke about "new dangers" that can possibly emanate from political and military cooperation of Russia and China.<sup>54</sup>

## China's Global Image

### I. Coronavirus

A report in the South China Morning Post stated that [the US will use its influence in the United Nations](#) to build an alliance to investigate the origins of COVID-19.<sup>55</sup> The US has begun to garner support from the European Union and other members of the G7 to investigate the origins of the Coronavirus beyond the conflicting assessments and narratives.

### II. Belt and Road Initiative

Following the G7 summit in the UK, the G7 countries led by the US launched an initiative "[Build Back Better World\(B3W\)](#)" to cater to the "tremendous infrastructure needs of low-and middle-income countries". A White House press statement described this as "a values-driven, high-standard, and transparent infrastructure partnership led by major democracies to help narrow the \$40+ trillion infrastructure need in the developing world, which has been exacerbated by the COVID-19 pandemic." The B3W blueprint underlines four key areas: climate, health security, digital technology, gender equity and equality.<sup>56</sup> Touted as a counter-narrative to China's BRI strategy, the B3W initiative is intended to work and collaborate with "like-minded partners."<sup>57</sup>

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<sup>53</sup> "Xi, Putin extend 20-year-old friendship treaty to firm up close ties amid US, EU offensive," [The Times of India](#) June 28, 2021

<sup>54</sup> "NATO chief Jens Stoltenberg warns of 'new dangers' from Russia-China ties," [The Economic Times](#), June 9, 2021

<sup>55</sup> "US to counter China's 'malign' influence on United Nations, says senior official," [South China Morning Post](#), June 17, 2021

<sup>56</sup> "President Biden and G7 Leaders Launch Build Back Better World (B3W) Partnership," [The White House](#), June 12, 2021

<sup>57</sup> Ibid.."

India's stand on the B3W initiative is that it will study the prospects and consider engagement at a later date.<sup>58</sup>

Following the launch of the B3W initiative, China held a [virtual conference on BRI on June 23](#) titled "Asia and Pacific High-level Conference on Belt and Road Cooperation." The meeting was hosted by FM Wang Yi, in which 30 countries including Afghanistan, Bangladesh, Myanmar, Nepal, Pakistan and Sri Lanka participated. The virtual conference laid emphasis on "Promoting Cooperation on Combating the Corona Pandemic for Sustainable Recovery." It drew up a six-point consensus, pledging to step up agreement on the fair distribution of vaccines and climate change.<sup>59</sup>

### III. Human Rights and Democracy

Amidst the international outcry over China's human rights abuses in Xinjiang, Tibet and Hong Kong, [Tibetans in Switzerland and Liechtenstein](#) submitted a five-point appeal to the UN for an end to China's cultural genocide in Tibet.<sup>60</sup>

The US Senate Foreign Policy Committee cleared the [Uygur Forced Labour Prevention Act](#) on June 24, which places a ban on all goods coming into the US from Xinjiang unless the trading enterprises prove they were not produced using forced labour.<sup>61</sup>

[Canada led 40 countries in expressing serious concerns](#) over China's repressive actions in Xinjiang, Tibet and Hong Kong. During a virtual UN Human Rights Council meeting on June 22, Canada urged China to allow "immediate, meaningful and unfettered access" to independent observers in the western Xinjiang region.<sup>62</sup> In a blistering war of words, [China retaliated by expressing concerns over](#) violations of the rights of refugees and migrants in countries such as the United States, the UK, Australia, and Canada.<sup>63</sup>

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<sup>58</sup> "India likely to join B3W project to counter China's BRI; India-SA TRIPS proposal gets support at G7," [Financial Express](#), June 15, 2021

<sup>59</sup> "China Holds Slimmed-Down Belt and Road Conference," [The Diplomat](#), June 25, 2021

<sup>60</sup> "Tibetans in Switzerland, Liechtenstein call for UN action to end China's cultural genocide in Tibet" [ANI](#), June 27, 2021

<sup>61</sup> "Xinjiang forced labour bill moves ahead as it clears key US Senate committee," [South China Morning Post](#), June 25, 2021

<sup>62</sup> "China, Canada spar at UN body over human rights failings," [AP](#), June 22, 2021

<sup>63</sup> "China tries to turn tables on West after criticism by UN Human Rights Council members," [South China Morning Post](#), June 24, 2021

#### IV. Multilateralism

As China celebrates the [50th anniversary of the restoration of the country's lawful UN seat](#)<sup>64</sup>, the state media published multiple viewpoints substantiating [the country's commitment to multilateralism](#).<sup>65</sup> The state media, while distinguishing between the perspectives of the US and China on multilateralism, pointed out that [US multilateralism is based on the premise of cooperation among homogeneous countries, shared ideology, like-mindedness, alliances, and partnerships](#).<sup>66</sup>



Chinese State Councillor and Foreign Minister Wang Yi delivers a keynote speech at the 'Lanting Forum' commemorating the 50th anniversary of the restoration of China's seat in the United Nations, June 25, 2021. Source: Embassy of the People's Republic of China in the Republic of Azerbaijan.

On June 29, 2021, Foreign Minister Wang Yi attended the [G20 Foreign Ministers' Meeting](#). In his remarks, he reflected on five aspects:

"First, G20 members need to stay united and work together to lead the way in the global fight against COVID-19. Second, G20 members need to uphold multilateralism and rally more support for the stability of the international order. Third, G20 members need to enhance openness and coordination, and forge greater impetus to global recovery. Fourth, G20 members need to uphold inclusiveness and sharing, and garner stronger efforts for sustainable

<sup>64</sup> "China calls for joint efforts to safeguard multilateralism 50 years after returning to the UN," [Global Times](#), June 25, 2021

<sup>65</sup> "Nation pledges to strengthen multilateralism," [China Daily](#), June 26, 2021

<sup>66</sup> "Western theory on multilateralism not perfect," [China Daily](#), June 7, 2021

development. Fifth, G20 members need to take a problem-oriented approach, and make the global governance system more responsive.”<sup>67</sup>

## Trade and Economy

Several Chinese provinces are facing a [major power crunch](#), including drivers of economic growth such as Guangdong, Yunnan, Guangxi, and Zhejiang.<sup>68</sup> Described as being the worst energy shortage since 2011, the power crunch has led to a slowdown in factory production in June.<sup>69</sup> Coal remains the dominant source of energy in China, but with Beijing’s target of becoming carbon neutral by 2060, coal reduction is a priority leading to a mismatch in the demand and supply of energy.<sup>70</sup>

China National Petroleum Corporation (CNPC) announced that it has discovered a new one billion ton oil and [gas reserve in the Tarim basin](#) in Xinjiang’s Uyghur Autonomous Region, the largest such discovery in this basin in nearly 10 years.<sup>71</sup> Reportedly, the Tarim basin possesses “16 billion tons of oil and gas reserves, making it China’s biggest oil and gas reserves area”.<sup>72</sup>

In terms of foreign direct investment (FDI), a report in People’s Daily, quoting data released by the Ministry of Commerce, argued that “China is witnessing a [boom in FDI inflows](#), with investors still holding optimistic attitude toward the country’s market”.<sup>73</sup> FDI in China surged by 35.4 percent to 481 billion yuan (about USD75.3 billion) in the first five months of this year.<sup>74</sup> This prompted the Global Times to claim that geopolitics does not have much [impact on a country’s trade](#).<sup>75</sup> The paper pointed out that “China has emerged as the largest trading partner of more than 120 countries and regions, greatly enhancing China’s manoeuvring space against non-market fluctuations”.<sup>76</sup>

Even as the Chinese economy maintained a steady recovery, concerns were expressed by Premier Li Keqiang, who stressed the “importance of [boosting](#)

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<sup>67</sup> “Wang Yi Attends the G20 Foreign Ministers’ Meeting,” [MFA](#), June 29, 2021

<sup>68</sup> Laura He, “China is facing its worst power shortage in a decade. That’s a problem for the whole world”, [CNN](#), June 30, 2021.

<sup>69</sup> Ibid.

<sup>70</sup> Ibid.

<sup>71</sup> “1-billion-ton oil and gas field discovered in Xinjiang’s Tarim Basin”, [Global Times](#), June 19, 2021.

<sup>72</sup> Ibid.

<sup>73</sup> “China witnesses boom in growth of foreign direct investment”, [People’s Daily](#), June 18, 2021.

<sup>74</sup> Ibid.

<sup>75</sup> “China’s May trade data shows economy votes with its feet for geopolitics: Global Times editorial”, [Global Times](#), June 8, 2021.

<sup>76</sup> Ibid.

[market vitality](#) and social creativity to promote sound economic growth as the domestic and external environment remains complicated and grim".<sup>77</sup> Slowing investment, for instance in the [country's rail sector](#), is a pointer toward China's economic growth losing steam.<sup>78</sup> Another sign of increasing economic uncertainty is the "[lying flat](#)" [social resistance](#) movement in which the Chinese youth are protesting their bleak economic prospects,<sup>79</sup> reportedly fed up with "gruelling work hours" and "skyrocketing housing prices". This is being taken as a serious cause for concern by the authorities as it has the potential to derail the Chinese dream of national rejuvenation.<sup>80</sup>

In another address, Premier Li Keqiang stressed the importance of advancing the [development of the country's western regions](#),<sup>81</sup> calling for "reforms, economic opening-up, and innovation-driven development" of these strategically important areas.<sup>82</sup>

With the official [exchange rate of Chinese yuan](#) remaining high against the US Dollar, the People's Bank of China (PBOC) signalled that the "rapid appreciation of yuan is not sustainable".<sup>83</sup> Beginning June 15, the PBOC raised the reserve requirement ratio for foreign currency deposits by 2 percentage points from the current 5 to 7 percent, which is likely to weaken the yuan.<sup>84</sup> The Chinese media highlighted the possibilities of the yuan becoming [world's currency of choice by 2050](#) under Beijing's dual circulation plan.<sup>85</sup> Further, the PBOC reformed the bank deposit rate system that will lower lenders' funding costs to help [boost liquidity for small businesses](#) growth in the country<sup>86</sup>.

The [trade talks](#) between senior officials from the US and China is being projected by the Chinese media as a "positive sign of relations returning to normal track despite lingering hurdles".<sup>87</sup> Contrary to such a positive

<sup>77</sup> "Chinese premier stresses boosting market vitality", [People's Daily](#), June 3, 2021.

<sup>78</sup> Amanda Lee, "China's slowing railway investment contributing to signs that economic growth is losing steam, analysts say", [South China Morning Post](#), June 22, 2021.

<sup>79</sup> He Huifeng and Tracy Qu, "Why China's youth are 'lying flat' in protest of their bleak economic prospects", [South China Morning Post](#), June 9, 2021.

<sup>80</sup> Ibid.

<sup>81</sup> "Chinese premier stresses advancing development of western regions", [People's Daily](#), June 23, 2021.

<sup>82</sup> Ibid.

<sup>83</sup> "Commentary: China's central bank sends clear signal on RMB exchange rate", [People's Daily](#), June 2, 2021.

<sup>84</sup> Ibid.

<sup>85</sup> Karen Yeung, "China's yuan could become world's 'currency of choice' by 2050 under dual circulation plan", [South China Morning Post](#), June 11, 2021.

<sup>86</sup> Frank Tang, "China reforms bank deposit rate system to unleash liquidity for small businesses", [South China Morning Post](#), June 21, 2021.

<sup>87</sup> "China, US ramp up trade dialogue, a 'positive sign of ties returning to normal talk track' despite lingering hurdles", [Global Times](#), June 2, 2021.

perception in China, it appears that Washington is turning to an [aggressive industrial policy](#) to counter Beijing.<sup>88</sup> The White House announced its intent to establish a [“trade strike force”](#) led by US Trade Representative (USTR) Katherine Tai, to halt the “hollowing out” of American industry, including critical supply chains.<sup>89</sup> Commenting on this, Chinese analysts underscored that “the new task force and government support for American businesses highlight the Biden administration’s [“more aggressive” stance towards China](#), and its willingness to implement industrial policy to maintain international dominance”.<sup>90</sup> In a related development, the NPC strongly criticised the [‘US Innovation and Competition Act of 2021’](#).<sup>91</sup> It stressed that this legislation “fabricates the so-called China threat to [preserve the US global hegemony](#) while seeking to deprive China of its legitimate development rights through technological and economic decoupling”.<sup>92</sup> The US Innovation and Competition Act is a reflection of [“US cold war mentality”](#), the NPC added.<sup>93</sup>

On the aviation front, the United States and the European Union ended their 17-year dispute over [subsidies to Boeing and Airbus](#) to focus on the common competitive threat from China.<sup>94</sup> Chinese analysts believe this agreement poses a new challenge to China’s ‘Comac C919’ passenger aircraft which is reportedly designed to compete with the Boeing 737 and the Airbus A320.<sup>95</sup> However, it is “unlikely that C919 will take a large market share outside its own (Chinese) sphere of influence”.<sup>96</sup>

As China’s comprehensive national strength continues to grow, President Xi Jinping stressed the necessity of improving the country’s [international communication](#) to match its international status.<sup>97</sup> He underscored the importance of “constructing China’s discourse and narrative as well as interpreting Chinese practices by its theories”.<sup>98</sup> Meanwhile, as China geared up to celebrate the centenary of the founding of the Communist Party of China (CPC) on July 1, President Xi inaugurated an [exhibition on the history of CPC](#)

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<sup>88</sup> Cissy Zhou, “Biden’s trade strike force sees US turn to aggressive ‘industrial policy’ to counter Beijing”, [South China Morning Post](#), June 9, 2021.

<sup>89</sup> Ibid.

<sup>90</sup> Ibid.

<sup>91</sup> “China’s NPC says US innovation and competition act is doomed to fail”, [Global Times](#), June 9, 2021.

<sup>92</sup> Ibid.

<sup>93</sup> Ibid.

<sup>94</sup> Amanda Lee and Cissy Zhou, “China’s C919 faces new hurdle after US-Europe aviation deal, but accord unlikely to be a game changer”, [South China Morning Post](#), June 16, 2021.

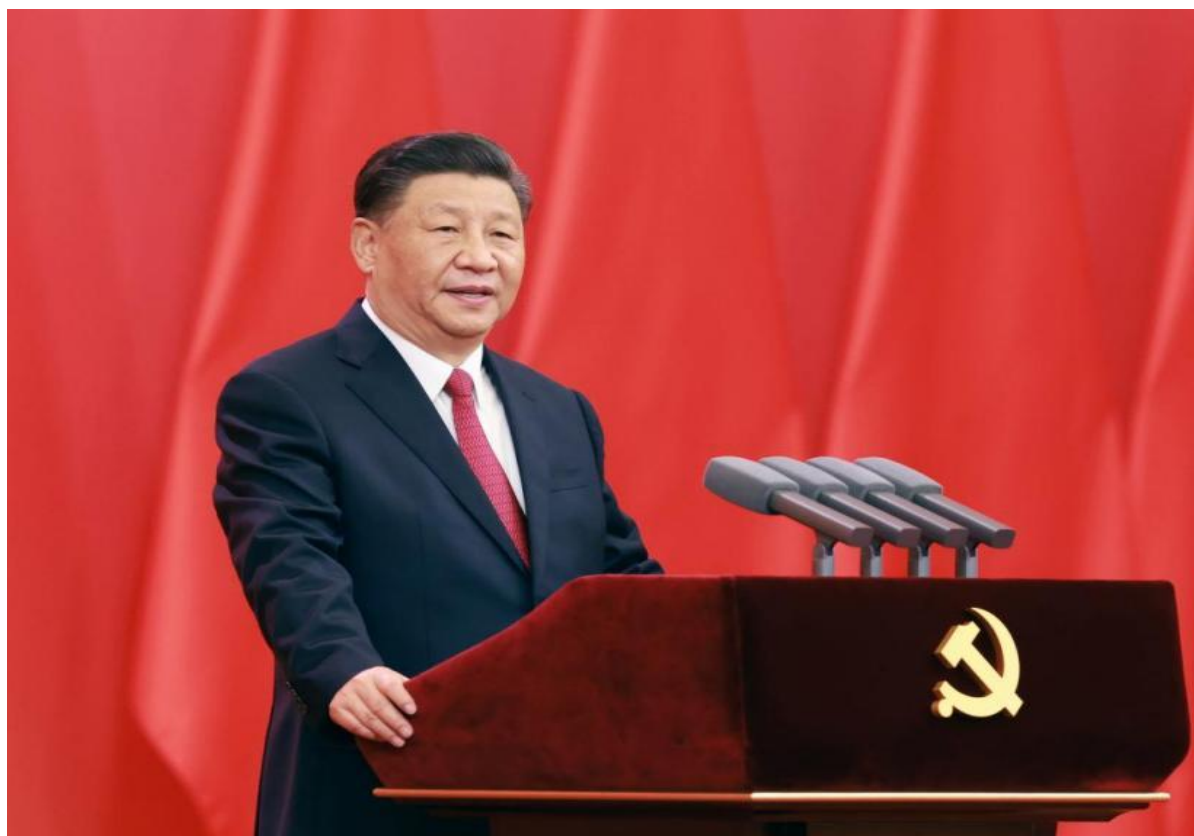
<sup>95</sup> Ibid.

<sup>96</sup> Ibid.

<sup>97</sup> “Xi stresses improving China’s international communication capacity”, [People’s Daily](#), June 02, 2021.

<sup>98</sup> Ibid.

on the theme “staying true to the founding mission” at the Museum of the CPC in Beijing.<sup>99</sup> He reiterated the importance of “drawing strength from the party’s history to forge ahead”.<sup>100</sup> During his visit to [Qinghai-Tibet Plateau](#), President Xi underscored the importance of ecological conservation and high-quality development of the region.<sup>101</sup>



Chinese President Xi Jinping delivers a speech at the ceremony to present the July 1 Medal, the CPC’s highest honour, to the outstanding Party members, June 29, 2021.

Source: Xinhua

Commencing the celebrations of the 100th anniversary of the founding of the Communist Party of China, President Xi Jinping conferred [July 1 medals](#), the highest party honour, to CPC members with outstanding contributions.<sup>102</sup> In his speech, Xi lauded medal recipients as “Role Models” and “Everyday Heroes” while urging CPC members to “maintain staunch faith in the party’s original mission and dedicate one’s precious life to its cause”.<sup>103</sup> Meanwhile according

<sup>99</sup> “Xi stresses drawing strength from CPC history to forge ahead”, [People’s Daily](#), June 23, 2021.

<sup>100</sup> Ibid.

<sup>101</sup> “Xi stresses ecological conservation, high-quality development on Qinghai-Tibet Plateau”, [Xinhua](#), June 9, 2021.

<sup>102</sup> “Xi awards highest Party honor to role models ahead of CPC centenary”, [Xinhua](#), June 29, 2021.

<sup>103</sup> Ibid.

to the CPC Central Committee, as of June 5, the [party's membership](#) stands at 95.148 million.<sup>104</sup>

In the wake of the forthcoming CPC Centenary celebrations, the State Council issued a white paper titled "[China's Political Party System: Cooperation and Consultation](#)," elaborating on the characteristics and strengths of the country's political system.<sup>105</sup> The paper stressed that China has a "[multiparty cooperation system](#)" in which the CPC exercises state power and the other eight political parties (Revolutionary Committee of the Chinese Kuomintang, China Democratic League, China National Democratic Construction Association, China Association for Promoting Democracy, Chinese Peasants and Workers Democratic Party, China Zhi Gong Party, Jiusan Society, and the Taiwan Democratic Self-Government League) fully participate in state administration under the CPC's leadership.<sup>106</sup> The Chinese political system is the result of "[adapting Marxist political theory](#) to the Chinese context".<sup>107</sup>

As Beijing grapples with the issue of an aging population and declining birth rate, Chinese economist Yao Yang stressed that the recently introduced [three-child policy](#) will not drastically raise the birth rate in the country and China should prepare for an aging society.<sup>108</sup> "Despite an aging population, China can maintain economic growth rate of around 5.5 to 6 percent over the next decade", he added.<sup>109</sup>

## Defence and Security

As the Biden administration continues to promote its "Indo-Pacific Policy", the Chinese Ministry of National Defence stressed that "a strategy emphasising military presence and military competition will only [heighten regional tensions](#) and undermine world peace and stability".<sup>110</sup> No strategy should instigate countries to establish selective and exclusive military alliances or to create a "New Cold War" of confrontational blocs".<sup>111</sup>

On China-Japan relations, Beijing slammed the [Japanese Defence White Paper 2021](#) for its reference to "stable Taiwan being of great importance to Japan's

<sup>104</sup> "Communist Party of China has over 95 million members", [People's Daily](#), June 30, 2021.

<sup>105</sup> "China issues white paper on its political party system", [Xinhua](#), June 25, 2021.

<sup>106</sup> Full Text: China's Political Party System: Cooperation and Consultation, [Global Times](#), June 25, 2021.

<sup>107</sup> Ibid.

<sup>108</sup> China population: three-child policy will not 'drastically raise birth rate', top Chinese economist says, [South China Morning Post](#), June 13, 2021.

<sup>109</sup> Ibid.

<sup>110</sup> "Regular Press Conference of the Ministry of National Defense on May 27", [Ministry of National Defence People's Republic of China](#), May 31, 2021.

<sup>111</sup> Ibid.



security and world stability".<sup>112</sup> On the Diaoyu and its affiliated islands, Beijing asserted that it remains an [inherent territory of China](#).<sup>113</sup>

The NATO summit held in Brussels described [China as presenting "systemic challenge"](#).<sup>114</sup> The Chinese mission to the European Union rejected such claims as a "continuation of [cold war mentality](#) and bloc politics,"<sup>115</sup> reiterating that "China will not present systemic challenge to anyone, but Beijing will also not sit by and do nothing if 'systemic challenges' come closer to us".<sup>116</sup> Further, the People's Daily criticised the [G7 joint communiqué](#) for interfering in China's internal affairs including on Hong Kong, Taiwan and Xinjiang while viciously slandering China.<sup>117</sup>

Tensions between China and the United States on Taiwan showed no signs of abating. China urged the US to stop official exchanges and [military contacts with Taiwan](#), and to refrain from sending any wrong signals to separatist elements advocating Taiwan independence.<sup>118</sup> In a related development, the PLA conducted [amphibious landing drills](#) in Southeast China's coastal regions with landing ships transporting a large number of armoured vehicles, assault units, troops and supplies that built a strong "basis for winning possible future battles (wars) against Taiwan secessionists".<sup>119</sup>

In continuation of its aggressive stance on Taiwan, on June 15 the PLAAF carried out a major intrusion of Taiwan's ADIZ, employing a strike mission of 28 aircraft.<sup>120</sup> Military experts saw this as Beijing's "[response to G7 communiqué](#) that extended support to Taiwan secessionists".<sup>121</sup> China also published a record of expelling [foreign fighter aircrafts](#) (most likely from the US) conducting increasingly frequent close-in reconnaissance in the South China Sea.<sup>122</sup> Even as Beijing attempted to deter Washington, '[USS Curtis Wilber](#)' sailed

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<sup>112</sup> Ibid.

<sup>113</sup> Ibid.

<sup>114</sup> "China dismisses NATO's claim as continuation of Cold War mentality, bloc politics", [People's Daily](#), June 15, 2021.

<sup>115</sup> Ibid.

<sup>116</sup> Ibid.

<sup>117</sup> "Practices to form cliques, follow bloc politics will never succeed", [People's Daily](#), June 18, 2021.

<sup>118</sup> "China urges US to stop official exchange and military contacts with Taiwan: Defense Spokesperson", [Ministry of National Defense of the People's Republic of China](#), June 24, 2021.

<sup>119</sup> Liu Xuanzun, "PLA conducts amphibious landing drills amid latest US provocation on Taiwan question", [Global Times](#), June 8, 2021.

<sup>120</sup> Liu Xuanzun, "Record PLA exercise warns Taiwan secessionists, US carrier activity", [Global Times](#), June 16, 2021.

<sup>121</sup> Ibid.

<sup>122</sup> "China publishes record of expelling foreign warplanes, warns risky US close-in recon", [People's Daily](#), June 21, 2021.

through the Taiwan Strait on June 22, leading to China asserting that the “US is the biggest troublemaker for the regional security”.<sup>123</sup>

Meanwhile, Chinese shipbuilding continues unabated, aimed at enhancing PLA Navy’s (PLAN) maritime capabilities. The [Nanning, a new type of 052D guided missile destroyer](#), made its debut in a combat training exercise in the South China Sea.<sup>124</sup> The PLA Airforce commissioned [a batch of J20](#) new generation fighter aircraft “independently developed by China”.<sup>125</sup> Further, the [upgraded FC-31 stealth fighter](#) is said to be a top candidate to be China’s next-generation carrier-based stealth fighter.<sup>126</sup>

In terms of nuclear capabilities, a report by the Stockholm International Peace Research Institute (SIPRI) highlighted the expansion of [Beijing’s nuclear arms stockpile](#).<sup>127</sup> Reportedly, “China has 350 nuclear warheads this year, up from 320 last year”.<sup>128</sup> Further, China is building a network of [intercontinental ballistic missile silos](#) in its western desert “potentially housing weapons capable of reaching US mainland”.<sup>129</sup>

The National People’s Congress (NPC) passed a law to protect the status and [rights of Chinese military personnel](#).<sup>130</sup> As per the law, “No organisation or individual may in any way slander or belittle the dignity of soldiers, insult or slander the honour of soldiers, and must not damage or defile the honours given to soldiers.”<sup>131</sup>

## Technology

Amid a major crackdown on Big-tech, China passed its [first law on data security](#) that promises steep punishments for unauthorised data transfers

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<sup>123</sup> “Chinese military denounces US destroyer's provocation in Taiwan Strait”, [Ministry of National Defense of the People's Republic of China](#), June 23, 2021.

<sup>124</sup> Liu Zhen, “Chinese navy sails new destroyers in South China Sea amid military shipbuilding spree”, [South China Morning Post](#), June 15, 2021.

<sup>125</sup> “More J-20 fighter jets commissioned to PLA Air Force”, [Ministry of National Defense of the People's Republic of China](#), June 21, 2021.

<sup>126</sup> Liu Xuanzun, “Upgraded FC-31 top candidate for China’s next-generation carrier-based stealth fighter jet: observer”, [Global Times](#), June 9, 2021.

<sup>127</sup> Kristin Huang, “China expanding nuclear arms stockpile in 2021, Swedish think tank says”, [South China Morning Post](#), June 14, 2021.

<sup>128</sup> Ibid.

<sup>129</sup> Brad Lendon, “China is building a sprawling network of missile silos, satellite imagery appears to show”, [CNN](#), July 2, 2021.

<sup>130</sup> “China passes law to protect status, rights of military personnel”, [People's Daily](#), June 11, 2021.

<sup>131</sup> Ibid.

abroad.<sup>132</sup> “Companies that transfer the state’s ‘core data’ overseas without Beijing’s approval will face a fine of up to 10 million yuan (USD 1.56 million) and could also be forced to shut down”.<sup>133</sup> The Cyberspace Administration of China stressed that “data is a country’s basic strategic resource and without data security there is no national security”.<sup>134</sup> Tech hub Shenzhen released a draft of [China’s first local data law](#).<sup>135</sup> “This draft allows user to say no to data collection requests and has the right to know, copy, correct and delete data held online”.<sup>136</sup> It proposes to impose a hefty penalty of up to 50 million yuan (USD 7.7 million) for firms that engage in “algorithmic price discrimination” based on how much it thinks the user is willing to pay.<sup>137</sup>

President Xi Jinping has tasked Vice Premier Liu He to lead Beijing’s efforts in [semiconductor self-sufficiency](#) through the development of a new third generation of chips that go beyond traditional silicon-based chips.<sup>138</sup> This is one area in which no nation or company yet dominates, providing China a great opportunity to sidestep the sanctions imposed by the US on its chip-making industry.<sup>139</sup>

As the US-China technology competition heats up, Shenzhen’s role is becoming even more significant for China’s high-tech ambitions. The Shenzhen city government released its 14<sup>th</sup> five year plan (2021-25) that will [sharpen focus on semiconductors](#), new energy vehicles, biomedicine, and digital economy to drive the country’s “technology self-sufficiency” and innovation.<sup>140</sup>

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<sup>132</sup> Xinmei Shen and Masha Borak “China’s new Data Security Law promises steep punishments for unapproved overseas data transfers”, [South China Morning Post](#), June 11, 2021.

<sup>133</sup> Ibid.

<sup>134</sup> Ibid.

<sup>135</sup> Xinmei Shen, “China tech policy: Shenzhen’s new data law another signal of intent to rein in Big Tech”, [South China Morning Post](#), June 4, 2021.

<sup>136</sup> Ibid.

<sup>137</sup> Ibid.

<sup>138</sup> “Xi Jinping taps top lieutenant to lead third-generation chip development in battle against US sanctions”, [South China Morning Post](#), June 17, 2021.

<sup>139</sup> Ibid.

<sup>140</sup> Iris Deng, “Chinese hi-tech hub Shenzhen gears up for steady economic expansion over next five years, cementing its role as the Greater Bay Area’s core engine”, [South China Morning Post](#), June 11, 2021.



Astronauts Nie Haisheng (R), Liu Boming (C) and Tang Hongbo wave during a see-off ceremony for Chinese astronauts of the Shenzhou-12 manned space mission, June 17, 2021. Source: Xinhua

China continues to make major strides in space exploration. On June 17, three Chinese astronauts of the [Shenzhou-12 manned spacecraft](#) docked with the 'Tianhe' space core module of the 'Tiangong' space station.<sup>141</sup> President Xi Jinping, while greeting the astronauts, declared that the "construction of the space station is a [milestone in China's space industry](#), which will make pioneering contributions to the peaceful use of space by humanity".<sup>142</sup> China aims to launch its [first manned mars mission](#) in 2033 and build a base on the red planet in the following mission. Beijing also plans to [explore 'Jupiter'](#), the largest planet in the solar system.<sup>143</sup>

On the telecommunications front, a white paper issued by the IMT-2030 (6G) Promotion Group established under the guidance of China's Ministry of Industry and Information Technology stressed that "[6G commercialization](#) is expected around 2030".<sup>144</sup> 6G will be a deep integration of the real physical world and the virtual digital one to build a new world of "intelligent connection of everything".

<sup>141</sup> "China's space station core module receives first group of residents", [People's Daily](#), June 18, 2021.

<sup>142</sup> Xi talks with astronauts stationed in space station core module, [Ministry of National Defense of the People's Republic of China](#), June 23, 2021.

<sup>143</sup> "Next stop Jupiter as country's interplanetary ambitions grow", [People's Daily](#), June 14, 2021.

<sup>144</sup> "Report: 6G commercialization is expected around 2030", [People's Daily](#), June 7, 2021.

In a blow to China's international 5G ambitions, a Swedish court upheld a [ban on Huawei](#) selling 5G network gear in the country citing "national security" risks.<sup>145</sup> Chinese analysts labelled this as a "politicised" decision which put the future of Swedish telecommunications giant Ericsson's China operations at serious peril.<sup>146</sup>

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<sup>145</sup> Shen Weiduo and Chen Qingqing, "Swedish court ruling on Huawei 'politicized', placing Ericsson in peril: analyst", [Global Times](#), June 23, 2021.

<sup>146</sup> Ibid.



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

[www.delhipolicygroup.org](http://www.delhipolicygroup.org)