



Delhi Policy Group

Advancing India's Rise as a Leading Power

DPG China Monitor August 2022



Volume V, Issue 8 | August 2022

Delhi Policy Group

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

www.delhipolicygroup.org



Delhi Policy Group

Advancing India's Rise as a Leading Power

DPG China Monitor

Volume V, Issue 8

August 2022

ABOUT US

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

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

At a time of disruptive change in the global order, DPG aims to deliver research based, relevant, reliable and realist policy perspectives to an actively engaged public, both at home and abroad. DPG is deeply committed to the growth of India's national power and purpose, the security and prosperity of the people of India and India's contributions to the global public good. We remain firmly anchored within these foundational principles which have defined DPG since its inception.

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:

His Holiness the 14th Dalai Lama flew in an IAF Dhruv helicopter from Air Force Station in Leh to Lingshed village in the Union Territory of Ladakh, India, August 11, 2022. Source: Twitter/@ANI

© 2022 by the Delhi Policy Group

Delhi Policy Group

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

DPG China Monitor
Volume V, Issue 8
August 2022

Contents

Abstract	i
Foreign and Security Policy	1
I. China-India Relations	1
II. China-South Asia Relations	3
III. China-United States Relations	7
IV. China - European Union Relations	9
V. China-Russia Relations	10
Internal Developments	11
20th CPC National Congress	11
President Xi's Key Speeches	12
Human Rights	12
Trade and Economy	12
Defence and Security	16
Technology	18

Abstract

Following the largely unproductive 16th military commanders' talks, local commander level talks were held on August 2 to discuss Confidence Building Measures (CBMs) along the Line of Actual Control (LAC). India flagged the issue of repeated airspace violations by China, in violation of the existing "Agreement on Maintenance of Peace and Tranquillity along the LAC in India-China Border Area" of 1996, that prohibits the operation of combat aircraft within 10 Km of the LAC.

China has resorted to massive military and infrastructure development across the LAC aimed at reducing mobilisation time. India has also scaled up infrastructure development and surveillance along the border. Meanwhile, Tibetan spiritual leader HH the Dalai Lama's recent visit to Ladakh has added to existing bilateral tensions.

India is slated to hold the 18th edition of high-altitude war-games with the US in the Auli area of Uttarakhand, in the proximity of the LAC, from October 18-31, 2022. China has objected to the India-US military drills citing "violation of border pacts" and stressing that the India-China border issue does not need third-party interference. These claims were rejected by India's Ministry of External Affairs.

China's ballistic missile and satellite tracking ship 'Yuan Wang 5' docked at the strategically important Hambantota port in Sri Lanka from August 16-22. Even as India expressed concerns about the ship's technical capabilities, Sri Lanka granted port access to the vessel on the condition that it will keep its Automatic Identification System (AIS) switched off within the country's Exclusive Economic Zone (EEZ) and no scientific research would be conducted in its waters. Sri Lanka's capitulation came against major debt restructuring by China and as a prelude to an IMF bailout package.

As a result of Pakistan's severe economic and internal security crisis, the China-Pakistan Economic Corridor (CPEC) Authority has been scrapped. Meanwhile, China's attempt to expand arms sales has come under the scanner as the Bangladesh Army has expressed displeasure with the quality of military supplies received from China, including tank ammunition and the upgradation of T-59 tanks. Beijing is reportedly attempting to develop a submarine base in the Cox's Bazar province, following an agreement to sell two Ming class submarines to Bangladesh.

Following talks between the Foreign Ministers of Nepal and China, Beijing has pledged Rs. 15 billion (CNY 800 million) in grant assistance to Nepal.

US House of Representatives Speaker Nancy Pelosi's official visit to Taiwan created a new crisis in China-US relations. Responding to "vicious" and "provocative" actions of the US, Beijing launched joint military exercises around Taiwan and suspended eight official military dialogues and cooperation channels with the US. A People's Daily editorial warned that on the issue of Taiwan, "the will of the [Chinese] people cannot be defied and those who play with fire will end up getting burnt".

Shortly after the Pelosi visit, Beijing issued a White Paper titled "The Taiwan Question and China's Reunification in the New Era" envisioning a new special administrative region (SAR) for Taiwan. It warned Taiwan separatists and the US-led West that China will work with "utmost sincerity towards peaceful reunification", but Beijing "will not renounce the use of force, and reserves the option of taking all necessary measures".

As these tensions over Taiwan continue to mount, the US and China are planning for a face-to-face meeting between Presidents Xi Jinping and Joe Biden during the forthcoming G-20 Summit in Indonesia.

China's state media has described "China-Russia relations as being crucial to defend global stability and counter the US hegemony". China is participating in the multilateral military exercise 'Vostok-2022' scheduled to be hosted by Russia from August 30-September 5, 2022. India is also among nations participating in the exercise.

At the 10th NPT Review Conference, China underscored "AUKUS nuclear submarine cooperation" and replication of "nuclear sharing" in the Asia-Pacific as major developments undermining the international nuclear non-proliferation regime.

The Communist Party of China (CPC) will hold the seventh plenary session of the 19th CPC Central Committee on October 9. The 20th Party Congress will be convened on October 16, 2022, at which the CPC will elect a new Central Committee and President Xi Jinping is likely to be appointed for a third term as the CPC's General Secretary. In the run-up to the Party Congress, China has once again imposed COVID-19 lockdowns in various parts of the country, including areas surrounding Beijing.

Amidst concerns about slowing economic growth, the CPC Politburo called for provinces to strive for the best economic outcomes while striking a balance between growth, Covid-19 control, and national security. To stabilise the

country's flagging economy, China's State Council announced a spending package worth USD 146 billion.

Beijing has ramped up drought relief efforts in various parts of the country as China faces one of its worst heatwaves in at least 60 years. The drought is causing a power crunch, while also posing severe challenges for the country's autumn harvest and threatening food security.

The US and China signed an agreement granting Washington access to US-listed Chinese companies' audit data, which had become necessary to avoid the delisting of Chinese companies from US bourses.

Foreign and Security Policy

I. China-India Relations

On the heels of largely unproductive 16th military commanders talks, a [ground-level meeting](#) was held on August 2 for discussing routine CBM's along the Line of Actual Control (LAC).¹ India flagged the issue of China's repeated airspace violations, disregarding the existing CBM relating to 'Agreement on Maintenance of Peace and Tranquillity along the LAC in India-China Border Area' of 1996, that prevented combat aircraft to fly within 10 km of the LAC. Both sides discussed air space management to avoid airspace violations.²

While repeatedly flouting the existing border protocol agreements, the PLA objected to the India-US military drills citing "violation of border pacts". India is slated to hold its [18th edition of Yudhabhyas](#) series of wargames with the US in the Auli area of Uttarakhand in proximity to the LAC from October 18-31, 2022.³ India's Ministry of External Affairs rejected these accusations of bilateral India-US military drills constitute third-party meddling, describing the exercise as a "totally different" issue.⁴

Amidst reports of several transgression attempts and border agreement violations, China has resorted to massive military and infrastructure development to reduce build-up and mobilisation period ever since [Galwan flareup](#).⁵ Reports surfaced of PLA carrying out construction work near [Hadigara-Delta 6](#) in Chaglagam, an administrative post in Arunachal Pradesh's Anjaw district near the LAC.⁶

India, too, in pursuit of its [operational interests](#), has upscaled its infrastructure development and surveillance facilities.⁷ Meanwhile, Indian army too is carrying out development activities in the [border villages of Arunachal Pradesh](#)

¹ "India, China hold ground-level talks to avoid airspace violations along LAC," [The Hindu](#), August 5, 2022

² Ibid.

³ "India-US joint military drills near LAC totally different: India," [The Economic Times](#), August 25, 2022

⁴ Ibid.

⁵ "Since Galwan border flare-up, China has installed massive military infrastructure," [The Telegraph](#), July 12, 2022

⁶ "Caught on camera, Chinese construction work in Arunachal Pradesh," [India Today](#), August 26, 2022

⁷ "India Developing Infrastructure Along China Border For Surveillance: Army," [NDTV](#), August 27, 2022

that include providing free rations, medical aid, homestay to attract tourists, thereby creating economic opportunities for the locals.⁸

During his visit to Argentina on August 22, India's External Affairs Minister [Dr. S. Jaishankar](#) emphasised on China's continuing disregard of existing border pacts and actions against India's security concerns.⁹ Reiterating India's position, Dr. Jaishankar underlined the importance of "[three mutuals](#) – mutual sensitivity, mutual respect, and mutual interest" for bilateral ties to become normal and sustainable.¹⁰



His Holiness the 14th Dalai Lama flew in an IAF Dhruv helicopter from Air Force Station in Leh to Lingshed village in the Union Territory of Ladakh, India, August 11, 2022.

Source: [Twitter/@ANI](#)

China's escalating military activities and infrastructure build-up has drawn the attention of countries in the Indo-Pacific who have voiced concern over its aggressive behaviour. Former Australian Prime Minister [Kevin Rudd](#) in a recent interview stressed that Chinese actions along the LAC, including the creation of infrastructure, point to a predisposition to "changing the reality on the ground".¹¹ Reacting to these [remarks](#), a spokesperson for China's Ministry of

⁸ "Arunachal Pradesh: 'Model village' thanks Indian Army for services, says not afraid of China," [Times Now](#), August 28, 2022

⁹ "China disregarding border pacts, says EAM Jaishankar," [Deccan Chronicle](#), August 22, 2022

¹⁰ "State of border will determine state of India-China relationship: Jaishankar," [The Indian Express](#), August 31, 2022

¹¹ "China's behaviour increases probability of LAC standoff becoming flashpoint: Ex-Australia PM," [The Hindustan Times](#), August 28, 2022

National Defence "denounced any form of external interference by a third party in the boundary issue" calling it an exclusive "matter between India and China".¹²

Tibetan spiritual leader "Dalai Lama's" recent visit to Ladakh, a territory that China lays claim to has added to the existing bilateral tensions. The visit comes a month after the Chinese Foreign Ministry called the Indian Prime Minister's birthday wishes to Dalai Lama a "small trick".¹³

During the month, [Chinese state media](#) emphasised two aspects to improve bilateral economic relations: (i) China and India should join efforts in the formation of a large manufacturing regional cluster in Asia which will be conducive to the development of China-Indian relations and the formation of the "Asian Century" (ii) In the backdrop of India's crackdown on Chinese companies for their tax evasion, state media urged New Delhi to provide a fair and non-discriminatory business environment for Chinese investors, which will be mutually beneficial to both Chinese enterprises and India's manufacturing ambitions.¹⁴

II. China-South Asia Relations

Crisis-hit Sri Lanka was in the spotlight in the month after ballistic missile and satellite tracking ship '[Yuan Wang 5](#)' docked at the strategically important Hambantota port from August 16-22.¹⁵ Despite India's concerns over the ship's technical capabilities, the Sri Lankan government granted port access, on the condition that it will keep its Automatic Identification System (AIS) switched off within the country's Exclusive Economic Zone (EEZ) and no scientific research would be conducted in its waters. Colombo's nod, despite Indian protests, came in the backdrop of crucial debt restructuring of Chinese loans that would be key to the island's success in the bailout package from the IMF. Sri Lankan Opposition Parties blamed the government for mishandling the issue and succumbing to the Chinese pressure.¹⁶

¹² "The China-Indian border issue doesn't need third-party interference: Defence Ministry," [Global Times](#), August 25, 2022

¹³ "Birthday greetings to Dalai Lama a futile attempt to show attitude to China," [Global Times](#), July 7, 2022

¹⁴ "Crackdown on Chinese firms undercuts India's attractiveness," [Global Times](#), August 4, 2022

¹⁵ "Sri Lanka allows docking of Chinese research ship at Hambantota port from August 16-22," [The Economic Times](#), August 13, 2022

¹⁶ Ibid

In another blow to [Sri Lanka's crisis-hit economy](#), a report revealed Sri Lanka having incurred a loss of around USD 6.9 million in a fertilizer deal with China. The supplied stock was rejected over quality issues and all attempts to recover the lost money failed.¹⁷



China's research and survey vessel 'Yuan Wang 5' arrives at Hambantota Port in Sri Lanka, August 16, 2022. Source: [Global Times](#)

Like Sri Lanka, Pakistan, too, is going through a severe economic and internal security crisis. One of the consequences of this has been the scrapping of the China-Pakistan Economic Corridor (CPEC) Authority. [Pakistani media](#) has now started raising questions about the opaque nature of CPEC that risks aggravating political tension, widening social divides, and generating new sources of conflict.¹⁸

Further, the internal security crisis in Pakistan that has claimed the lives of several Chinese nationals is evoking concern in China over its BRI investments. China is reportedly planning to station its own forces in specially designed [outposts](#) in both Pakistan and Afghanistan.¹⁹ The move comes amidst reports of China showing keen interest in extending CPEC to Afghanistan.

Adding to the woes of economic crisis and internal security concerns, Pakistan has been hit by severe floods. According to estimates, floods have affected more than 33 million people and their livelihoods, while, 1033 people lost their

¹⁷ "Sri Lanka suffered loss of USD 6.9 mn in Chinese fertilizer deal," [The Print](#), August 25, 2022

¹⁸ "Pak-China Differences over CPEC," [Newsweek](#), August 29, 2022

¹⁹ "China wants Military Outposts in Pakistan to safeguard its investment", [Business Standard](#), August 18, 2022

lives.²⁰ Chinese private enterprises have thus far donated [humanitarian aid](#) of over 72 thousand US dollars. As per reports, apart from emergency humanitarian aid, the Chinese embassy in Pakistan is raising funds to help the flood-ravaged country.²¹

Amidst unprecedented climate disasters, floods in Pakistan and drought in China both countries have agreed to join hands in [disaster prevention](#) and mitigation as part of global climate response. They have also resolved to cooperate in the technology sector.

China uses arms transfers in conjunction with other types of assistance to complement its foreign policy as part of BRI initiative. In South Asia, China's attempt to expand arms trade has come under scanner. Bangladesh Army has expressed displeasure with the [quality of military supplies](#) received from China that includes tank ammunition, upgradation of T-59 tanks among others. Bangladesh Army recently replaced the Chinese-made artillery pieces by acquiring 155/52 mm Serbian self-propelled rotor Nora B-52. The [Bangladeshi Navy](#) too is dissatisfied with the radars and other equipment provided by China. To address these concerns, China has offered to set up a maintenance, repair and overhaul (MRO) centre and submarine base in Bangladesh. Setting up a submarine base near the village Magnama, in Cox's Bazar province, mere 70 Kms from Myanmar is an issue of security concern. This development is a prelude to Bangladesh acquiring two Ming Class submarines (Type 035G) from China.²²

Chinese Foreign Minister Wang Yi's recent visit to Bangladesh on August 7 was the first high-profile visit by Chinese leadership in last five years. The two countries signed four [agreements/MoUs](#) in the fields of cultural cooperation, disaster management, educational programmes, and handed including handing over eighth Bangladesh-China Friendship Bridge in Pirojpur. Further, China has agreed to increase duty-free access by an additional 1%, bringing the total duty-free items exported to 98%.²³ The Chinese Foreign Minister also pledged China's support for the repatriation of Rohingya refugees to Myanmar. He also confirmed that China will in the near future, begin issuing visas and travel permits to the Bangladeshi students.

²⁰ "Pakistan floods: One third of country is under water – minister," [BBC](#), August 29, 2022

²¹ "China to provide cash and supplies to flood-hit Pakistan," [CGTN](#), August 29, 2022

²² "Bangladesh dissatisfied with China's military supplies quality: Reports," [The Print](#), August 13, 2022

²³ "Four MoUs inked between China-Bangladesh," [The Print](#), August 7, 2022

Amidst reports of USD 500 million, [Millennium Challenge Corporation](#) grant by the US, China has pledged ₹15 billion in grant assistance to Nepal to invest in various projects. This came about following wide-ranging talks between visiting Foreign Minister Narayan Khadka and his Chinese counterpart Wang Yi.²⁴ During the meeting, Foreign Minister Khadka reiterated Nepal's unwavering commitment to the 'One China Policy'. Further, he assured Nepalese territory won't be used for anti-China activities. Foreign Ministers also took stock of overall aspects of bilateral relations, and agreed to promote further cooperation in various sectors such as trade, connectivity, investment, health, poverty alleviation, tourism, education, etc.²⁵

As Afghanistan completed a year under Taliban's rule, China appears to have become a close partner of the Islamic Emirate of Afghanistan. In the past year, China has pushed for deeper cooperation on security, reviving cross-border trade links, and increasing economic aid to Afghanistan. The extent of China's interest in Afghanistan and its relationship with the Taliban, however, remains opaque. While Chinese traders have increased their presence, large mining projects backed by Chinese companies to tap lithium have failed to get off the ground, and the policymakers in China are worried about the possible spill over of instability into restive Xinjiang. China has promised the [Taliban](#) regime economic and development support in exchange for attention to Chinese security concerns. A concerned China, has joined the international community in urging Kabul's new rulers to implement reforms, including forming an inclusive government with the representation of all Afghan ethnicities and respect for women's rights.²⁶

China renewed its calls for the international community to engage with the Taliban. Beijing is keen on getting Afghanistan on board for its flagship project CPEC. However, nothing has been finalised yet. A report in the Chinese [state media](#) suggested that both countries should explore the potential in the agriculture and mining sectors where they are complementary in terms of technical advantages and resources.²⁷

²⁴ "China to provide ₹15 billion assistance to Nepal to invest in projects," [The Hindu](#), August 11, 2022

²⁵ "Nepal Foreign Minister Khadka holds bilateral talks with his Chinese counterpart," [ANI](#), August 11, 2022

²⁶ "Security Concerns Bring China Closer to Taliban," [VOA](#), August 11, 2022

²⁷ "China and Afghanistan ramping up cooperation in agriculture and mining, 1 year after US troop pullout," [Global Times](#), August 16, 2022

III. China-United States Relations

US House Speaker Nancy Pelosi's official visit to Taiwan in August 2022 created a new status quo in China-US relations. In response to [Pelosi's visit](#), Beijing launched joint military exercises around Taiwan and suspended eight official military dialogues and cooperation channels with the United States.²⁸ Taiwan faced unprecedented provocations, including ballistic missile launches over the island, air, and naval operations across the centreline and upto the edge of Taiwan's territorial waters. Missiles were also fired in the Japanese EEZ. The Chinese leadership appears to have assumed that the US is using Taiwan as a strategic asset to contain China.²⁹



President of the Republic of China (Taiwan) Tsai Ing-wen meets a US delegation led-by House of Representatives Speaker Nancy Pelosi, August 3, 2022.

Source: [Office of the President of the Republic of China \(Taiwan\)](#)

Weeks after Nancy Pelosi's visit, the United States and Taiwan announced plans to begin formal trade talks based on the commitment to deepen ties. A delegation led by Indiana Governor visited Taiwan to take forward the trade

²⁸ "How Pelosi's Taiwan Visit Has Set a New Status Quo for U.S-China Tensions," [Carnegie](#), August 17, 2022

²⁹ Ibid.

talks.³⁰ This visit too incited the Chinese who retaliated with provocative military drills and missile firing.

Amid Chinese provocations, the US, Japan, and South Korea held [missile drills](#) as their own show of force. Chinese Foreign Ministry called these drills "directed at" China, advising that all the parties should act with "prudence" and "stop actions" that further increase tensions and antagonism 'sabotaging' mutual trust.³¹

China's Ministry of Commerce lambasted Washington as President Biden signed the [Chips and Science Act into a law](#) with a view to enhance country's competitiveness against China.³² As a result US will set aside USD 53 billion to [fund domestic semiconductor production](#).³³ Beijing asserted that the law "restricts relevant companies normal economic, trade, and investment activities in China", and "distorts global semiconductor supply chain".³⁴ It called upon Washington to "implement the law as per WTO rules" and principles of "openness, transparency and non-discrimination".³⁵ As President Biden signed into law the '[Inflation Reduction Act 2022](#)' (IRA), Global Times report claimed that it reflects the US's "isolationist mentality" [protectionism] aimed at "curbing China's new energy [vehicles] rise".³⁶

Amidst escalating tensions between Beijing and Washington, China is planning for a face-to-face meeting between President Xi Jinping and President Biden during the forthcoming G-20 Summit in Bali, Indonesia in November 2022. This visit would mark, Xi's first international trip in nearly three years and his first in-person meeting with Biden since the American leader's inauguration.³⁷

³⁰ "U.S. Delegation Visits Taiwan for Trade Talks, Risking China's Ire," [The New York Times](#), August 21, 2022

³¹ "Foreign Ministry Spokesperson Wang Wenbin's Regular Press Conference on August 16, 2022," [MFA, China](#), August 16, 2022

³² "China strongly opposes U.S. chips bill: commerce ministry", [Xinhua](#), August 18, 2022.

³³ Che Pan, "Tech war: China condemns US Chips and Science act amid headwinds in semiconductor self-sufficiency", [South China Morning Post](#), August 10, 2022.

³⁴ "China strongly opposes U.S. chips bill: commerce ministry", [Xinhua](#), August 18, 2022.

³⁵ Ibid.

³⁶ "US falls into 'isolationist mentality' by pushing Inflation Reduction Act to curb China's new-energy rise", [Global Times](#), August 16, 2022.

³⁷ "China's Xi Jinping plans to meet US President Biden in November," [Business Standard](#), August 13, 2022

IV. China - European Union Relations

Amidst a flurry of EU - Taiwan contacts, China warned that it would consider statements made by individual European lawmakers as official EU policy and will ["never deal with two EU's"](#).³⁸

China's comments came amidst Lithuania's deputy transport and communication's visit to Taiwan early this month. After condemning the move, China has [suspended](#) all forms of interaction, exchanges, and cooperation with Lithuania on international road transport issues.³⁹ However, the EU countries are not backing down from its evolving commitment to the security of the Indo-Pacific. Germany sent 13 military aircraft to a [joint exercise in Australia](#) underlining Berlin's increased focus on the Indo-Pacific as also ability for operational deployment during any crisis scenario in the region.⁴⁰

Despite commitment towards rule-based order and security in the Indo-Pacific, EU's top diplomat [Joseph Borrell](#) expressing concerns over tensions in Taiwan strait declared that the EU could be a "moderator" in any crises scenario in the region. He made it clear that the EU leadership has no plans to visit Taiwan and tacitly criticised Pelosi's visit for not planning it at the right time.⁴¹ Further, he described China's firing of ballistic missiles over Taiwan and into Japan's EEZ as "highly provocative actions that could lead to destabilisation and risk escalation".

Amid deepening concerns over Beijing's ties with Russia, [Estonia and Latvia have quit](#) China's exclusive club for engaging with Central and Eastern European countries.⁴² China's declaration of a "no-limits" friendship with Russia has consistently been a cause of alarm for Baltic nations, who fear that the Ukraine crisis is a precursor to a wider attempt by Russia to claw back its Soviet empire. Lithuania was the first country to quit the club last year when the group was styled as the 17 + 1 (a diplomatic forum in which 17 countries

³⁸ "China holds EU to account for criticism by European MPs," [South China Morning Post](#), August 6, 2022

³⁹ "China sanctions Lithuanian deputy transport minister over Taiwan trip," [South China Morning Post](#), August 12, 2022

⁴⁰ "German fighter planes en route to Australia as Berlin shifts focus to Indo-Pacific," [South China Morning Post](#), August 16, 2022

⁴¹ "EU could act as 'moderator' in Taiwan Strait, top diplomat says," [South China Morning Post](#), August 22, 2022

⁴² "Down to 14 + 1: Estonia and Latvia quit China's club in Eastern Europe," [Politico](#), August 11, 2022

sought to find common ground with Beijing). The latest move slashes the framework back to 14 + 1.⁴³

On the trade front, despite provocative statements, [investments](#) from the EU to China increased by 15 percent in the first half of 2022. Reality is that despite geopolitical concerns European firms are not pulling out of China.⁴⁴

V. China-Russia Relations

Russia and China's call for closer ties over the Arctic region has evoked concerns in the US, the region is of strategic importance for both the US and NATO member countries. While Russia's missile tests earlier in the North Pole is seen as highlighting Arctic as an area of its security interests, for the [US and NATO](#) such a show of poses a security dilemma. China, on the other hand, has explicitly voiced that its interest lie in the untapped resources of the region.⁴⁵ Nonetheless, NATO Secretary General Jens Stoltenberg has categorically warned about Russian and Chinese collusion in the region as increasing military risks. As a consequence, the US has decided to appoint Arctic Ambassador to monitor the situation.⁴⁶

Meanwhile, even as the Ukraine conflict rages, Russia and China will participate in '[Vostok 2022](#)', a major multilateral military drill scheduled to be hosted by Russia from August 30-September 5, 2022. India is also among nations participating in the exercise. China's participation includes all three arms of its forces.⁴⁷ The drills are aimed at mastering skills of commanders and headquarters in exercising command and control over combined arms, and coalition forces. India will also participate, among nations that include Laos, Mongolia, Nicaragua, Syria and several ex-Soviet nations.⁴⁸

In order to circumvent Western sanctions, Russia has steadily increased [the use of Chinese currency](#).⁴⁹ Russia has emerged as the third-largest market for yuan transactions outside the Chinese mainland after Hong Kong and Britain.

⁴³ Ibid.

⁴⁴ "China still an investment hotspot for European firms despite rising geopolitical tensions," [South China Morning Post](#), August 18, 2022

⁴⁵ "NATO Secretary General Jens Stoltenberg warns about Russian, Chinese interest in Arctic," [The Hindu](#), August 27, 2022

⁴⁶ Ibid.

⁴⁷ "Vostok 2022 drills from Sept 1-7 will involve more than 50,000 troops from China, India and several other countries: Russia," [The Print](#), August 29, 2022

⁴⁸ Ibid.

⁴⁹ "Russia is now the 3rd-biggest market for yuan transactions outside of mainland China as sanctions block dollar, euro payments," [Business Insider](#), August 19, 2022

According to reports, companies and banks based in Russia were involved in 4% of yuan transactions globally in July.⁵⁰

Russia and China have also started to use [yuan for oil trade](#) and coal shipments. Russia's central bank is slated to add yuan in its currency reserves, apart from India's rupee and Turkey's lira.⁵¹ According to a report in the Chinese state media "Chinese yuan is emerging as a valid alternative to the dollar around the world, giving China the opportunity to set the foundations for a stable and fair international monetary environment."⁵²

On the trade front, China has emerged as [Russia's largest oil buyer](#), importing approximately 7.15 million tonnes in the second quarter of the financial year. Independent refiners preferred discounted supplies of Russian oil, cutting off shipments from Angola and Brazil.⁵³

Internal Developments

20th CPC National Congress

The Communist Party of China's (CPC) Politburo held a meeting reviewing the preparations for the upcoming seventh plenary session of the 19th CPC Central Committee and the [20th CPC National Congress](#).⁵⁴ The seventh plenary session will be held on October 9, 2022, while the 20th Party Congress will convene on October 16.⁵⁵ The Party will elect a new Central Committee, it is expected that [Xi Jinping will begin his 'third term' as the CPC's General Secretary](#).⁵⁶ Ahead of this major political event, adhering to the "zero-covid policy", China has once again imposed [COVID-19 lockdowns](#) in various parts of the country including areas surrounding Beijing.⁵⁷

⁵⁰ Ibid.

⁵¹ "Chinese yuan's global recognition and acceptance is gaining momentum," [CGTN](#), August 23, 2022

⁵² Ibid.

⁵³ "Russia is China's top oil supplier for 3rd month in July," [The Indian Express](#), August 20, 2022

⁵⁴ "Meeting of CPC Central Committee Political Bureau proposes convening 20th CPC National Congress on Oct. 16 in Beijing", [Xinhua](#), August 30, 2022.

⁵⁵ Ibid.

⁵⁶ Guo Rui, "China's Communist Party to hold twice-a-decade congress in October", [South China Morning Post](#), August 30, 2022.

⁵⁷ "China imposes Covid-19 lockdowns for millions around Beijing", [The Straits Times](#), August 31, 2022.

President Xi's Key Speeches

President Xi Jinping conducted an inspection tour of the 'Liaoning' Province stressing the ["revitalization of Northeast China"](#).⁵⁸ During the visit, 'Xi' called for efforts to "promote self-reliance in science and technology including equipment manufacturing", "coordinate COVID-19 response with economic and social development", "balance development and national security imperatives", "faithfully implement the new development paradigm", "promote common prosperity", and "deepen CPC's rigorous self-governance setting the stage for the Party's 20th National Congress".⁵⁹

In his address at the [central conference on the United Front Work](#), President Xi Jinping stressed "the unity of the Chinese people at home and abroad for the country's national rejuvenation".⁶⁰ With a view to "fostering overseas patriotic elements", Xi Jinping called for "enhancing cyberspace united front work".⁶¹

Human Rights

China's state media continued its criticism of the [human rights violations by the United States](#).⁶² Xinhua shed light on a report by the China Society for Human Rights Studies (CSHRS) that revealed Washington's "series of crimes in the Middle East" including "launching wars", "massacring civilians", "forced [political] transformations", "unilateral sanctions", "creating a clash of civilizations", "abusing imprisonment and torture", and "violating freedom of religion and human dignity".⁶³ Amidst the FBI's raid on former President Donald Trump's Mar-a-Lago estate, Xinhua raised "concerns about [rising political violence in the US](#)".⁶⁴

Trade and Economy

In line with the CPC Politburo's call for [provinces to strive for best economic outcomes](#) while striking a balance between growth, Covid-19 control and national security⁶⁵, Premier Li Keqiang chaired a symposium of officials from

⁵⁸ "Xi Focus: Xi stresses revitalization of northeast China", [Xinhua](#), August 18, 2022.

⁵⁹ Ibid.

⁶⁰ "Xi stresses unity of Chinese at home, abroad to pool strength for rejuvenation", [Xinhua](#), July 30, 2022.

⁶¹ Ibid.

⁶² "Chinese NGO reveals U.S. violation of human rights", [Xinhua](#), August 8, 2022.

⁶³ Ibid.

⁶⁴ GLOBALink | Rising concern about political violence in U.S. after Mar-a-Lago search, [Xinhua](#), August 16, 2022.

⁶⁵ Frank Tang, "China looks to boost consumption with 'comprehensive measures' to help economic recovery", [South China Morning Post](#), July 30, 2022.

[six major economic provinces](#) including Guangdong, Jiangsu, Zhejiang, Shandong, Henan, and Sichuan.⁶⁶ Premier Li called upon the six provinces to be at the “forefront of China’s economic recovery” by implementing “pro-growth policies” that would “energise market entities and stabilise industrial and supply chains”.⁶⁷ The six industrial powerhouses accounted for around [45 percent \(USD 7.906 trillion\) of China’s GDP](#) (USD 17.73 trillion) in 2021.⁶⁸ Further, China’s State Council announced a policy package worth USD 146 billion to [stabilize the flagging economy](#).⁶⁹



Chinese Premier Li Keqiang presides over a symposium on the economic situation in Shenzhen, South China's Guangdong Province, August 16, 2022. Source: [Xinhua/Liu Bin](#)

During an [inspection tour of China’s technology hub, ‘Shenzhen’](#), Premier Li Keqiang called upon ‘Guangdong’ provincial authorities to “continue pioneering economic reforms and opening up that will make even greater contributions to the country’s development”.⁷⁰

⁶⁶ “Premier urges economic powerhouses to consolidate recovery”, [The State Council of the People’s Republic of China](#), August 16, 2022.

⁶⁷ Ibid.

⁶⁸ “China dials up mobilization push for regional economic powerhouses to rev up recovery”, [Global Times](#), August 17, 2022.

⁶⁹ “Stella Yifan Xie, “China’s New Economic Efforts Fall Short, Economists Say”, [The Wall Street Journal](#), August 25, 2022.

⁷⁰ Premier inspects Guangdong, chairs symposium on economy, [The State Council of the People’s Republic of China](#), August 16, 2022.

After a reported solid rebound in June 2022, [China's manufacturing sector once again lost its steam](#) in July owing to the COVID-19 flare-ups, weak domestic and global demand, and a prolonged slump in the property market.⁷¹ Reports pointed toward [home prices in China falling](#) for the 11th consecutive month owing to the "developer debt crunch", "a weak economy", "a massive surplus of empty homes" (50 million), and a "mortgage boycott by home buyers, fed up waiting for unfinished real estate projects".⁷² Concerned with the depression in the housing sector, the People's Bank of China (PBOC) [cut key interest rates](#) for new and outstanding loans, and mortgages.⁷³

Even as concerns were expressed about economic slowdown, Beijing continued to maintain, the country "[to be on the path of recovery](#) as major economic indicators registered steady growth despite COVID-19 outbreaks and heatwave".⁷⁴ Xinhua report underscored [double-digit growth in China's foreign trade and foreign direct investment](#)⁷⁵ (FDI) year-on-year in the first seven months of 2022 as bolstering country's economic outlook.⁷⁶ Earlier, the International Monetary Fund (IMF) in its 'World Economic Outlook' forecast [China's economy to grow by 3.3 percent](#) in 2022, down from 4.4 percent it had estimated in April.⁷⁷

As China faces one of its worst heatwaves in at least 60 years, Beijing has ramped up [drought relief efforts](#) in various parts of the country.⁷⁸ The drought is "drying up reservoirs" and "[crippling hydropower stations in Sichuan](#)", causing a power crunch, raising questions about sustainability of hydropower.⁷⁹ Sichuan has [stepped up the purchase of coal](#), but reports point toward it being "insufficient toward alleviating the ongoing power crunch".⁸⁰

⁷¹ "China's factory activity grows at a slower pace in July as output, new orders and employment soften", [South China Morning Post](#), August 1, 2022.

⁷² David Ren, "China home prices fall for 11th straight month as suspended construction, mortgage boycott and weak economy hit sales", [South China Morning Post](#), August 15, 2022.

⁷³ Andrew Mullen, "China cuts benchmark loan, mortgage reference rates, signals 'particular concern' for housing market", [South China Morning Post](#), August 22, 2022.

⁷⁴ "Economic Watch: Chinese economy's recovery momentum continues in July", [Xinhua](#), August 15, 2022.

⁷⁵ "China's FDI inflow up 17.3 pct in first seven months", [Xinhua](#), August 18, 2022.

⁷⁶ "Foreign trade bolsters China's economic outlook with steadily growing momentum", [Xinhua](#), August 8

⁷⁷ Ralph Jennings, "China's 'worse-than-anticipated' economic slowdown at core of IMF cut to 2022 global growth forecast", [South China Morning Post](#), July 26, 2022.

⁷⁸ "China ramps up drought-relief efforts to ensure production, livelihoods", [Xinhua](#), August 22, 2022.

⁷⁹ "Sichuan power crunch sparks calls for rethink of coal in China's energy mix", [Nikkei Asia](#), August 23, 2022.

⁸⁰ Zhao Ziwen, "China energy: Sichuan looks to coal as hydro dams run low, but 'insufficient' to alleviate power crunch", [South China Morning Post](#), August 22, 2022.

Heatwave is also posing [severe challenges for the country's autumn harvest](#) threatening food security.⁸¹

As the threat of Chinese companies getting delisted from the US exchanges grows, the two countries signed an accord granting [Washington access to US-listed Chinese companies audit data](#).⁸² A Global Times editorial stressed that audit oversight agreement is a ["symbolic case of US-China cooperation"](#).⁸³ Earlier, five state-owned Chinese enterprises including 'Sinopec', 'PetroChina', and 'China Life Insurance' voluntarily [delisted from the New York Stock Exchange](#) (NYSE).⁸⁴



PLA Eastern Theatre Command holds long-range live-fire drills in the Taiwan Strait, August 4, 2022. Source: [Xinhua/ Hong Wei](#)

⁸¹ Echo Xie, "China's unprecedented heatwave and drought put autumn crops at risk", [South China Morning Post](#), August 24, 2022.

⁸² Enoch Yiu, Eric Ng, and Kinling Lo, "China to give the US access to audit data to stave off mass expulsion of Chinese companies from US exchanges", [South China Morning Post](#), August 26, 2022.

⁸³ "Audit oversight agreement of US-listed Chinese companies a symbolic case of China-US cooperation: Global Times editorial", [Global Times](#), August 27, 2022.

⁸⁴ "Delisting decision normal market practice: China Daily editorial", [China Daily Editorial](#), August 15, 2022.

Defence and Security

Amidst PLA's military drills around Taiwan, People's Daily editorial warned the US-led West that, "the will of the [Chinese] people cannot be defied and [those who play with fire will end up getting burnt](#)".⁸⁵ A Xinhua commentary argued that the "US's breach of one-China principle [undermines post-war international order](#)".⁸⁶ It also highlighted [key facts about Nancy Pelosi's visit](#) to Taiwan including "US undermining one-China principle - the political foundation of US-China relations", the visit was a "political stunt that had nothing to do with democracy", "US and Taiwan separatists are changing the status-quo", "PLA's military exercises around Taiwan are legitimate and lawful", "over 170 countries and international organizations including the UN abide by the one-China principle", "Taiwan question and Ukraine issue are not comparable as Taiwan has never been a sovereign nation-state", "sanctions on Pelosi are lawful", and "the responsibility for the suspension of China-US climate talks lies with the US".⁸⁷ State media continued highlighting former US Secretary of State Henry Kissinger's warning to the Biden administration against [changing Taiwan's status-quo](#).⁸⁸

Beijing issued a White Paper titled "The Taiwan Question and China's Reunification in the New Era" envisioning a [new special administrative region \(SAR\) for Taiwan](#).⁸⁹ It warned Taiwan separatists and the US-led West that China will work with "utmost sincerity towards peaceful reunification", but, Beijing "will not renounce the use of force, and reserves the option of taking all necessary measures".⁹⁰ "The Taiwan question arose out of the weakness and internal chaos in China, and will be resolved as national rejuvenation becomes a reality", the White Paper added.⁹¹

Amidst heightened tensions in the Taiwan strait, the US and Australia along with 15 countries from North America, Europe, Asia, and the Middle East held [military exercise 'Pitch Black'](#) in Darwin, Australia.⁹² A Global Times report

⁸⁵ "The will of the people cannot be defied and those who play with fire will end up getting burnt", [People's Daily Editorial](#), August 8, 2022.

⁸⁶ "Xinhua Commentary: U.S. breach of one-China principle undermines post-war int'l order", [Xinhua](#), August 18, 2022.

⁸⁷ "Some Facts About Pelosi's Visit to Taiwan", [Xinhua](#), August 25, 2022.

⁸⁸ Chen Qingqing, "Kissinger warns Biden administration against changing Taiwan status quo", [Global Times](#), August 15, 2022.

⁸⁹ "Xinhua Headlines: China issues white paper on Taiwan question, envisioning new SAR after reunification", [Xinhua](#), August 18, 2022.

⁹⁰ Ibid.

⁹¹ Ibid.

⁹² "US, Australia lead joint drills to flex muscles, upend regional stability amid tensions in Taiwan Straits", [Global Times](#), August 19, 2022.

stressed that “the purpose of this exercise was to pull more countries into anti-China united front and show the unity of the West in pressuring Beijing over the Taiwan question”. On the other hand, state media continued to describe “China-Russia relations as being crucial to [defend global stability](#) and counter US hegemony”.⁹³

China’s Ambassador for Disarmament Affairs in his address at the [10th NPT Review Conference](#) underscored “AUKUS nuclear submarine cooperation” and replication of “nuclear sharing” in Asia-Pacific as major new issues undermining the international nuclear non-proliferation regime.⁹⁴ Further, China’s Ministry of National Defence expressed “serious concerns about the US’s plans to deploy [intermediate-range ballistic missiles in Japan](#)”.⁹⁵

President Xi Jinping attended the celebrations marking [95th anniversary of the People’s Liberation Army](#) (PLA) on August 1.⁹⁶ Marking the occasion, Xinhua highlighted PLA’s efforts to build a world class (modernized) military with “absolute Party leadership” by mid-21st century.⁹⁷ In line with this, the Central Military Commission (CMC) issued a notice requiring the PLA to study the fourth volume of [“Xi Jinping: The Governance of China”](#) to gain deeper understanding of Socialism with Chinese Characteristics.⁹⁸ Meanwhile, Chinese Defence Minister Wei Fenghe in his address at the [10th Moscow Conference on International Security](#) reiterated PLA’s “confidence and ability to defeat all intruders”.⁹⁹

With regards to military modernization, reports point toward China restarting [mass production of 052D destroyers](#).¹⁰⁰ Chinese analysts noted that as Beijing plans to develop a blue water navy by 2035, it is quite possible that PLA Navy is building more advanced warships.¹⁰¹ However, they rejected the claims that

⁹³ “China to join Vostok-2022 Russia with other countries; closer China-Russia ties crucial to defend global stability to counter US hegemony”, [Global Times](#), August 19, 2022.

⁹⁴ “China firmly opposes AUKUS nuclear-sub cooperation and replication of “nuclear sharing” in Asia-Pacific”, [China Military Online](#), August 10, 2022.

⁹⁵ “China will firmly take countermeasures against US deployment of intermediate-range missiles in Japan: Defense Spokesperson”, [China Military Online](#), July 28, 2022.

⁹⁶ “Xi Focus: PLA striving to build world-class military under Xi’s leadership”, [Xinhua](#), August 1, 2022.

⁹⁷ Ibid.

⁹⁸ “Regular Press Conference of the Ministry of National Defense on August 25”, [Ministry of National Defense of the People’s Republic of China](#), August 30, 2022.

⁹⁹ “PLA has never feared any enemy, has confidence, ability to defeat all intruders: Chinese defense chief”, [Global Times](#), August 16, 2022.

¹⁰⁰ Liu Xuanzun, “China restarts mass production of Type 052D destroyers, media reports say”, [Global Times](#), August 23, 2022.

¹⁰¹ Ibid.

fast pace of China's shipbuilding makes it the largest navy in the world.¹⁰² Meanwhile, PLA's [Shandong Aircraft Carrier](#) held combat drills in South China Sea reportedly showing its readiness for sea operations.¹⁰³

Technology

US sanctions hit '[Huawei Technologies](#)' founder and CEO Ren Zhengfei reportedly expressed deep concerns about the state of China's economy as well as the global economy and called upon Huawei's staff to make companies "survival as their top priority".¹⁰⁴ He expects "next 10 years to be a painful period in history as the global economy goes into recession".¹⁰⁵

Amidst China's semi-conductor self-sufficiency drive, state-run chip industry investment fund has engulfed in [anti-corruption probe](#), with at least three senior executives under probe.¹⁰⁶

¹⁰² Ibid.

¹⁰³ Liu Xuanzun, "PLA aircraft carrier Shandong holds drills in South China Sea in full combat group", [Global Times](#), August 25, 2022.

¹⁰⁴ Iris Deng, "Why Huawei founder Ren Zhengfei's new memo has gone viral on China's internet", [South China Morning Post](#), August 24, 2022.

¹⁰⁵ Ibid.

¹⁰⁶ Jiaxing Li, "China's state-run semiconductor fund engulfed in scandal as Beijing probes three senior executives for alleged corruption", [South China Morning Post](#), August 2, 2022.



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

www.delhipolicygroup.org