



Delhi Policy Group

Advancing India's Rise as a Leading Power



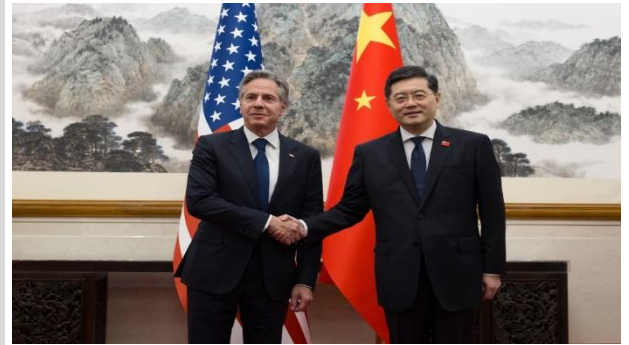
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China Monitor

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

Cover Photograph:

US President, Joe Biden, hosted the Prime Minister of India, Narendra Modi, at the White House on June 22, 2023.

Source: [Official Twitter Handle of President Biden](#)

US Secretary of State, Antony Blinken met with Chinese Foreign Minister, Qin Gang, in Beijing on June 18, 2023. Source:

[Official Twitter Handle of Secretary Antony Blinken](#)

Chinese Premier Li Qiang met with French President Emmanuel Macron in Paris on June 22, 2023. Source: [Xinhua/Huang Jingwen](#)

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Abstract

China is augmenting its deployment and infrastructure across the LAC both at operational and tactical levels to diversify its offensive capabilities. These developments come amidst discussions to hold the next (19th) round of senior military commanders' meeting at an early date. China is also improving the habitat of its troops, by constructing several solar and hydropower plants near the LAC to cater for extreme climate conditions.

To counterbalance China's infrastructure development, India too is considering steps to improve its ground situation. A major step towards this is a plan to construct a tunnel under the Brahmaputra River that will reduce deployment time to the LAC in the Eastern Sector.

Amidst the ramped-up military preparations by both sides, India's Defence Minister, Rajnath Singh, termed the border standoff with China a matter of "perception differences", asserting that India's honour and self-respect would not be compromised. Prime Minister Narendra Modi, too, in a press interview, reiterated India's long-standing position that relations with China cannot be normalised until peace and tranquillity is restored along the border.

During Prime Minister Narendra Modi's visit to the US during the month, President Biden referred to the US-India relations as "one of the most significant relationships of the 21st century". Chinese state media suggested that the US will spare no effort in courting India and giving benefits in exchange for India's support for the US's China containment policy. A Global Times editorial, however, concluded that given India's strategic autonomy and "history of making calm and sober choices", the "US will lose its huge bets in China's neighbourhood".

US Secretary of State, Antony Blinken, visited Beijing on June 18-19, 2023. President Xi, during his meeting with Secretary Blinken, reiterated the "need for a stable China-US relationship", adding that "the world is big enough to accommodate China and the US's respective development and common prosperity". Chinese Foreign Minister Qin Gang on his part warned Secretary Blinken that the US-China relationship is at its "lowest point" since its establishment, and that the Taiwan issue remains the most significant red line between the two nations.

Secretary Blinken's visit has largely been seen in China as Washington's attempt to "correct its misperceptions (misguided policies) toward China" and work together in the same direction to improve bilateral ties. President Biden's remarks comparing President Xi to a "dictator" briefly sparked a renewed war of words between the two countries.

China's National People's Congress (NPC) passed a new law governing the country's foreign relations in response to acts of containment, interference, and sanctions. According to Wang Yi, Director of the Office of the Foreign Affairs Commission of the CPC Central Committee, this law will serve as a "deterrent" to sanctions while safeguarding national sovereignty and security.

Chinese Premier Li Qiang visited France and Germany from June 18-23, 2023, to revitalise trade ties with Europe. Premier Li described the West's call for "de-risking" as a "false proposition" and reiterated China's commitment to free trade and market economy. As a follow-up of these efforts, Chinese state media claimed that European public opinion on China has become more pragmatic and rational, sighting German Chancellor Olaf Scholz's rejection of all forms of decoupling. On the other hand, the EU unveiled a draft of its first economic security strategy, which aims to restrict autocratic governments' access to European technologies which are vital to economic security.

During the 20th Shangri-La Dialogue, held in Singapore from June 2-4, 2023, there were sharp differences between the US and Chinese defence ministers on security issues. Till date, China has not agreed to resuming mil-to-mil dialogues with the US. At the conference, Li Shangfu, China's Defence Minister, elaborated on Beijing's 'Global Security Initiative' (GSI), which he claimed presents a path to true, sustainable security for the Asia-Pacific in contrast to the US's bloc confrontation approach. He reiterated Beijing's commitment to reunifying Taiwan peacefully but warned that China would not renounce the use of force.

Meanwhile, China continued its Taiwan encirclement flights by PLAAF H-6K bombers. China and Russia held a joint aerial strategic patrol over the East China Sea and the Sea of Japan, deploying two Chinese H-6K and two Russian Tu-95 bombers.

On June 23, 2023, Russian military headquarters in the southern city of Rostov-on-Don was briefly taken over by Yevgeny Prigozhin's Wagner Group (a private Russian paramilitary group). China, reacting to these developments, expressed support for Russia in maintaining national stability, noting that the Wagner Group incident was "Russia's internal affair". Within Chinese academic circles, however, there were murmurs about its possible negative consequences for China.

The economic recovery in China continues to be sluggish, as factory activity contracted in May 2023 owing to weak demand.

Foreign and Security Policy

I. China-India Relations

Amidst discussion to hold the next (19th) round of Senior Commander's meeting at an early date, China is tightening its deployment across the LAC both at the operational and tactical levels. According to media reports, the Chinese have constructed several solar and hydel power plants near the Line of Actual Control (LAC) in eastern Ladakh to cater for the increased energy requirements owing to extreme climate conditions.¹ Further, the PLA is actively recruiting Tibetan youths² from within its territory and providing them training for cross-LAC operations against India.³ It is also ramping up military infrastructure (airfields, helipads, railway facilities, missile bases, roads, and bridges) at a hectic pace to diversify its offensive capabilities.⁴

To counterbalance Chinese rapid infrastructure developments, India too is improving its infrastructure along the LAC.⁵ An important element of which is plans to build a strategic tunnel under the Brahmaputra River that will reduce deployment time to the LAC in the Eastern Sector.⁶

Amidst the ramped-up military preparations by both sides, India's Defence Minister, Rajnath Singh, termed the border situation with China as a matter of "perception differences", asserting that there would be no compromise on India's honour and self-respect.⁷ PM Modi, too, in a recent interview to the Wall Street Journal reiterated India's long standing position that relations with China cannot be normalised till peace and tranquillity are restored along the LAC.⁸

¹ "China building solar, hydro projects with new military bases built near LAC with India," The Economic Times, June 27, 2023

² Note: China made it mandatory for every Tibetan family to send one member to the People's Liberation Army (PLA)

³ "Chinese Army's Tibetan soldiers now part of patrols along Indian border," India Today, June 27, 2023

⁴ "China building solar, hydro projects with new military bases built near LAC with India," The Economic Times, June 27, 2023

⁵ "India matching up its infra capabilities to China's projects on LAC: DG BRO," Business Standard, June 3, 2023

⁶ "Brahmaputra tunnel to speed up troops' movement to LAC," The Times of India, June 27, 2023

⁷ "LAC standoff with China due to perception difference, no AFSPA in J&K when peace returns, says Rajnath Singh", The Print, June 26, 2023

⁸ "PM Modi's interview to The Wall Street Journal," narendramodi.in, June 20, 2023



US President, Joe Biden, hosted the Prime Minister of India, Narendra Modi, at the White House on June 22, 2023. Source: [Official Twitter Handle of President Biden](#)

Prime Minister Modi's US visit during the month elicited critical reaction in Chinese state media. In one of its reports, [Global Times](#) stressed "almost all observers noted during Modi's trip, India and the US's officials avoided mentioning China directly, even as China issue was one of the main drivers of deepening India-US relations. Maintaining that China was "the ghost at the US-India feast" or "the elephant in the room." Commentary underscored that the US was making overtures out of geopolitical compulsion to bring India into its orbit to deal with China, and that both the US and India are tacitly aware of this, calling the utilitarian nature of the "close ties" as temporary, unstable, and unreliable.⁹ A [Global Times](#) editorial concluded, given India's strategic autonomy and "history of making calm and sober choices", the "US will lose its huge bets in China's neighbourhood".¹⁰ [China Daily](#) editorial stressed that the US and India's "[preoccupation with China threat is groundless](#)".¹¹ The apparent aim of the Chinese commentaries was to vilify the US while being conciliatory towards India.

⁹ "US will lose its 'huge bets' on China's neighboring region: [Global Times](#) editorial," [Global Times](#), June 24, 2023

¹⁰ [Ibid.](#)

¹¹ "Preoccupation with 'China threat' groundless: [China Daily](#) editorial", [China Daily](#), June 25, 2023.

Further, reacting to US-India deals on joint production of jet engines and armed drones, [China](#) indicated that cooperation between countries should not undermine regional peace and stability and target any third party.¹² [Dismissing Beijing's concerns](#), India called the defence deal a progressive evolution of India-US defence cooperation.¹³ Simultaneously, reacting to Chinese insecurities, John Kirby, Coordinator for Strategic Communications at the National Security Council in the White House said, [Prime Minister Narendra Modi's visit to the US was not about leveraging India](#) to be a "counterweight" to China but to deepen ties, including defence cooperation.¹⁴

Amidst heightened geopolitical tensions, India has expelled all the [Chinese journalists working in the country](#) as a reciprocal reaction. The expulsion marks the first instance of no Chinese journalist's presence in India since the normalisation of relations in the 1980s. There is currently one Indian reporter from the Press Trust of India (PTI) news agency who remains in Beijing till expiry of his visa. This diplomatic row is over Chinese objections to Indian journalists hiring assistants to help them with reporting. Beijing imposed measures limiting employment to three individuals at a time who too must come from a pool provided by the Chinese authorities.¹⁵ This was not acceptable to India, as no such restrictions are placed on Chinese journalists.

II. China-South Asia Relations

As China ratchets up its military deployments and infrastructure across LAC, reports claim it is simultaneously [helping Pakistan Army](#) build advanced defence infrastructure along the Line of Control. The move is seen as creating a two front security dilemma enabling China to use it as a leverage against India.¹⁶

[According to media reports](#), it is part of efforts to further shore up China's position as an all-weather friend, while ensuring the safety of the Chinese enclaves in Pakistan-occupied Kashmir (PoK) comprising infrastructure like hydel projects built as part of CPEC.

¹² "Cooperation between states shouldn't target third party: China on US-India deals", [India Today](#), June 27, 2023.

¹³ "India Responds To China's Fear About GE 414 Engine Deal With U.S., Says "Little To Do With Beijing", [Hindustan Times](#), June 27, 2023.

¹⁴ "PM Modi's US visit not about leveraging India to be 'counterweight' to China: White House," [The Economic Times](#), June 24, 2023

¹⁵ "China asks last Indian journalist to leave nation this month amid media row," Mint, June 12, 2023

¹⁶ "China helps Pakistan build defence infrastructure along LoC, says officials," [India Today](#), June 25, 2023

In another important development, China and Pakistan signed a significant agreement worth USD 4.8 billion to establish a 1,200-megawatt nuclear power plant in Pakistan's Punjab province. In his address, Prime Minister Sharif termed the nuclear power plant agreement as a token of increasing economic cooperation between Pakistan and China and vowed to complete the project without any delay.¹⁷

As China's Belt and Road Initiative (BRI) has left scores of countries saddled with "hidden debts", Nepal has reportedly refused to take more loans from China. Nepal's latest decision is seen as a move to distance itself from China's dangerous loan diplomacy and its ambitious BRI project.¹⁸ It is believed that the current economic crisis in Sri Lanka and Pakistan has forced Kathmandu to rethink its policy.

Similarly, a few months back Advocate Nitai Roy Chowdhury, Vice Chairman of Bangladesh's largest opposition party, Bangladesh Nationalist Party (BNP), underlined that China's financing of various projects in the name of loans or grants was not good for Bangladesh. He warned, "Chinese debt in mega projects is becoming a big burden for the people and one day China will take over Bangladesh like Sri Lanka."¹⁹

Protests erupted in Bangladesh expressing solidarity with the Muslim community of Yunan province as the Islamic Movement Bangladesh (IMB) protested against China for attempts to destroy religious monuments.²⁰

Amidst Sri Lanka's economic recovery drive, Chinese State Councillor and Foreign Minister Qin Gang met Sri Lankan Foreign Minister Ali Sabry in Beijing on June 25, 2023. During the meeting, Ali Sabry referred to China as a "great friend and important development partner". Sri Lanka, he maintained will continue to stay firmly committed to the one-China policy, ensure the success of Belt and Road projects, strengthen multilateral cooperation, work for greater development of strong and robust relations between Sri Lanka and China, and set an example in state-to-state relations.²¹ While discussing Sri Lanka's

¹⁷ "China and Pakistan ink \$4.8 billion deal to build 1,200-megawatt nuclear power plant: report, [Global Times](#), June 21, 2023

¹⁸ "No More Loans From China, Nepal Decides," [Free Press Journal](#), June 27, 2023

¹⁹ "Sheikh Hasina's China policy harmful for India and Bangladesh: Opposition leader Nitai Roy Chowdhury," [India Today](#), February 2, 2023

²⁰ "Protest demonstration of Islamic Movement Bangladesh to show solidarity with Yunan Muslims," [The Asian Age](#), June 9, 2023

²¹ "Qin Gang Meets with Sri Lankan Foreign Minister Ali Sabry," [Embassy of PRC, Nepal](#), June 25, 2023

crippling debt crisis, Foreign Minister Qin Gang assured of helping Sri Lanka to promote economic and social development as well as living standards.²²

III. China-United States Relations

Amid Washington's effort to de-escalate tensions with China, US Secretary of State, Antony Blinken, visited Beijing during the month. The visit which Blinken called "one of the most consequential" was the first by a US Secretary of State since 2018.



US Secretary of State, Antony Blinken met with Chinese Foreign Minister, Qin Gang, in Beijing on June 18, 2023. Source: [Official Twitter Handle of Secretary Antony Blinken](#)

In a statement, Secretary Blinken announced that the visit was planned to "strengthen high-level challenges of communication, to make clear our positions and intentions in areas of disagreement, and to explore areas where we might work together when our interests align on shared transnational challenges. And we did all of that."²³

During the visit, Secretary Blinken called on President Xi Jinping, Director of the Office of the Central Commission for Foreign Affairs, Wang Yi, and Foreign

²² "China to keep helping Sri Lanka to the best of its ability in economic development, living standards: Chinese Foreign Minister, [Global Times](#), June 25, 2023

²³ "Secretary of State Antony J. Blinken's Press Availability," [US Department of State](#), June 19, 2023

Minister Qin Gang. The issue of Taiwan was at the centerpoint of discussion. Foreign Minister Qin expounded China's firm position and raised clear demands on the Taiwan question. He urged the US to abide by the one-China principle and the three China-US joint communiques, and truly deliver on its commitment of not supporting "Taiwan independence."²⁴ Reiterating China's longstanding position, Wang Yi, too, told Blinken that "China has no room to compromise or concede" on Taiwan, adding that the US must "respect China's sovereignty and territorial integrity and clearly oppose Taiwan independence."²⁵

Responding to Wang Yi's statement, Blinken in his remarks maintained that "the US is committed to the status quo of Taiwan, and the Biden administration does not support independence for Taiwan."²⁶ On the Ukraine crisis, Blinken noted that China had previously committed to not providing lethal aid to Russia and that the US had "not seen anything right now to contradict that."²⁷ Finally, the two sides could not reach any agreement on the important issue of military-to-military communications, central to crisis management.²⁸

Commenting on the trajectory of current China-US relations, Foreign Minister Qin Gang said, "As of today, relations are at the lowest level since the establishment of diplomatic relations between our countries."²⁹ It is not in the interest of the people of the two countries, while stressing that China has been "pursuing a consistent and stable policy" toward the US.³⁰ President Xi, on his part, reiterated the "need for a stable China-US relationship".³¹ Adding that "the world is big enough to accommodate China and the US's respective development and common prosperity".³² The "future and destiny of humanity depend on whether the two countries can find a way to get along".³³

While both sides saw the talks as productive, they did not result in any significant breakthroughs beyond an agreement to return to a broad agenda for cooperation and competition. Blinken's visit prompted the People's Daily

²⁴ "China, U.S. agree to maintain high-level interactions during Blinken's visit," [CGTN](#), June 18, 2023

²⁵ "Key takeaways from Antony Blinken's visit to China," [Yahoo](#), June 19, 2023

²⁶ "Blinken says US 'doesn't support Taiwan independence' in visit to ease relations with China," [Independent](#), June 20, 2023

²⁷ "Secretary of State Antony J. Blinken's Press Availability," [US Department of State](#), June 19, 2023

²⁸ Ibid.

²⁹ "Chinese FM holds talks with U.S. secretary of state", [People's Daily](#), June 19, 2023.

³⁰ Ibid.

³¹ "Xi meets Blinken in Beijing", [Xinhua](#), June 20, 2023.

³² Ibid.

³³ Ibid.

editorial to urge Washington to “correct its misperceptions (misguided policies) toward China” and work together in the same direction to improve bilateral ties.³⁴

A day after Blinken’s visit, President Joe Biden’s remarks describing Chinese leader Xi Jinping a “dictator” and China a country with “real economic difficulties” created a new rift sparking a war of words.³⁵ While Chinese Foreign Ministry spokesperson Mao Ning condemned Biden’s pointed comments as “extremely absurd and irresponsible”, Secretary of State Antony Blinken stood by President Biden’s remarks stating “The President always speaks candidly, directly, clearly, and he speaks for all of us.”³⁶

Amidst the diplomatic row, US Treasury Secretary Janet Yellen plans to visit Beijing in early July for the first high-level economic talks with her new Chinese counterpart. In her testimony before the House Financial Services Committee, Yellen said it is in the United States’ best interest to maintain ties with China, though she said documented allegations of human rights abuses in China and questionable trade policies need to be “addressed.”³⁷ She stated, “While we surely have concerns that need to be addressed, decoupling would be a big mistake” adding that Americans “benefit greatly” from buying goods that are cheaper to produce in China. That’s why, she stressed, it would be “disastrous” to cease trading with China. “De-risk? Yes. Decouple? Absolutely not.”³⁸ These remarks came amidst some Republican senators criticising Yellen urging the Biden administration to completely decouple from China.

The National People’s Congress of China passed a new law governing the country’s foreign relations in response to acts of containment, interference, and sanctions.³⁹ According to Wang Yi, Director of the Office of the Foreign Affairs Commission of the CPC Central Committee, this law will serve as a “deterrent” to sanctions while safeguarding national sovereignty and security.⁴⁰

³⁴ “China, U.S. should work together in the same direction to stabilize, improve bilateral relations”, People’s Daily Editorial, June 22, 2023.

³⁵ “Chinese leader Xi Jinping a “dictator” and China a country with “real economic difficulties”, Associated Press, June 21, 2023

³⁶ “Blinken backs Biden after he called China’s Xi a dictator,” Politico, June 25, 2023

³⁷ “Yellen on US-China trade: ‘Decoupling would be a big mistake’, CNN, June 13, 2023

³⁸ Ibid.

³⁹ “Sanctions deterrent: China frames new Foreign Relations Law as essential to national sovereignty”, South China Morning Post, June 29, 2023.

⁴⁰ Ibid.

IV. China-European Union Relations

Amidst Brussels pushing its de-risking strategy, Chinese Premier Li Qiang visited France and Germany from June 18 to 23 to reboot trade ties with Europe.⁴¹

Premier Li held high-level meetings with topmost leadership, government officials, and local manufacturers of the two countries. A range of cooperation agreements were signed during his six-day tour, including one on setting up climate change and green transition dialogue mechanism with Germany and another on deeper cooperation with French aviation giant Airbus. Germany and France assured Premier Li that they would not seek decoupling from China.⁴²

During the month, the EU unveiled a draft of its first economic security strategy, a plan to restrict autocratic governments' access to European technologies that are key to economic security, such as quantum computing and artificial intelligence. "With geopolitical tensions rising and global economic integration deeper than ever before, certain economic flows and activities can present a risk to our security," the strategy read.⁴³ While it does not name China directly, "the obvious candidates when we are using this sort of geopolitical filter when being country agnostic, what comes out is obviously China and Russia," said EU Competition Chief Margrethe Vestager.⁴⁴ The EU also requested its members to ban Chinese telecom giants Huawei and ZTE from their 5G networks, saying they carry "materially higher risks than other suppliers". Reacting to this, Huawei said it "strongly opposed" the moves, which were "clearly not based on a verified, transparent, objective and technical assessment of 5G networks".⁴⁵

A recent study by the European Council on Foreign Relations shows that approximately 43 percent of its population continues to view China as a necessary partner with whom they would like to cooperate – more than any other category.⁴⁶ Further, a majority of Europeans would prefer to stay neutral

⁴¹ "China's Premier Li to visit Germany, France in first overseas trip," [Reuters](#), June 15, 2023

⁴² "Chinese Premier Li Qiang's Europe trip good for trade, but EU de-risking push makes matters 'more complicated,'" [South China Morning Post](#), June 23, 2023

⁴³ "EU unveils plan to de-risk ties with China, but faces fight to get members on board," [South China Morning Post](#), June 20, 2023

⁴⁴ Ibid.

⁴⁵ "EU tells its members to ban Huawei and ZTE over 'materially higher risks' than other 5G suppliers," [South China Morning Post](#), June 16, 2023

⁴⁶ "Most Europeans would want to stay neutral in a US-China war over Taiwan, study finds," [South China Morning Post](#), June 7, 2023

if the United States and China go to war over Taiwan.⁴⁷ Just 23 per cent, across 11 countries want to take the US' side, with 62 per cent wanting to stay neutral.

V. China-Russia Relations

As an armed uprising led by the head of the Wagner group, Yevgeny Prigozhin unfolded in Russia on June 23, several businessmen in southern China halted goods shipments destined for Russia. Although the crisis has subsided, some exporters remain cautious about their future dependence on Russia.⁴⁸

Executives at Chinese state energy companies have refrained from commenting on new investments in Russia, highlighting the uncertainties that could arise if Russia were to lose the war.⁴⁹ While China's trade with Russia is substantial, its trade with other major economies such as the United States, the European Union, and Japan surpasses its dealings with Russia.⁵⁰

Meanwhile, the Chinese government came out in support of Russia. Beijing in its official remarks said, "as a friendly neighbour and a new era comprehensive strategic cooperative partner, China supports Russia in protecting national stability and achieving development and prosperity."⁵¹ The issue was Russia's "internal affair", the ministry added.⁵² However, in Chinese academic circles there was consternation on possible consequences of close relations with Russia, in the backdrop of war effort and economic downturn.

Russia and China's foreign ministries held a round of consultations on anti-missile defence on June 27.⁵³ Both sides decided to continue such consultations "regularly". Wu Riqiang, a professor at Renmin University in Beijing, said though the statement revealed few details, the consultations probably focused on their opposition to US missile defence systems, which pose a threat to both countries, giving the talks more political than military significance.⁵⁴

⁴⁷ Ibid.

⁴⁸ "Wagner mutiny: Chinese investors go cautious with Russia, experts question Beijing's stance on Kremlin," [Livemint](#), June 28, 2023

⁴⁹ Ibid.

⁵⁰ Ibid.

⁵¹ "China supports Russia in maintaining national stability," [CGTN](#), June 25, 2023

⁵² Ibid.

⁵³ "China and Russia hold missile defence talks, Moscow reveals as the countries face growing rivalry with the US," [South China Morning Post](#), June 28, 2023

⁵⁴ Ibid.

Internal Developments

Key Meetings and Addresses by Chinese Leaders

President Xi met the co-founder of 'Microsoft', Bill Gates in Beijing.⁵⁵ Xi described Bill Gates as an "old friend" of China and expressed hope that the US and China could cooperate in a mutually beneficial manner.⁵⁶ Reportedly, this was Xi's first meeting with a foreign entrepreneur in a long time.⁵⁷



Chinese Premier Li Qiang met with French President Emmanuel Macron in Paris on June 22, 2023. Source: Xinhua/Huang Jingwen

During a visit to France, Premier Li Qiang addressed the 'Summit for a New Global Financing Pact' chaired by French President Emmanuel Macron.⁵⁸ Premier Li called for improving global financial governance and creating a stable financing environment for developing countries, building a global development partnership, providing more development resources to

⁵⁵ "Xi Jinping meets Bill Gates in China, calls him an old friend", Reuters, June 16, 2023.

⁵⁶ Ibid.

⁵⁷ Ibid.

⁵⁸ "Chinese premier calls for int'l efforts to solve problems facing developing countries", People's Daily, June 24, 2023.

developing countries, and promoting economic globalisation and free trade to stimulate growth.⁵⁹

Meanwhile, in the pursuit of French strategic autonomy, President Macron has reportedly requested an invitation to the BRICS Summit scheduled to be held in South Africa in August 2023. Xinhua shed light on Bangladesh, Egypt, Iran, Argentina, Saudi Arabia, the UAE, Nigeria, and Venezuela's desire to join the 'BRICS', a group of developing countries that aims to "counter the concept of Cold War by promoting multipolarity and multilateralism".⁶⁰

Honduran President Xiomara Castro, who severed her country's diplomatic relations with Taiwan in March 2023⁶¹, visited Beijing on June 12 and met with President Xi Jinping.⁶² Major topics discussed in the meeting included the "one-China principle as the political foundation of bilateral relations", and the pursuit of "common development through the Belt and Road Initiative (BRI)".⁶³

Continuing China's outreach in the Middle East, President Xi Jinping met Palestinian President Mahmoud Abbas in Beijing on June 14.⁶⁴ Xi reiterated China's firm support for the Palestinian cause while elevating China-Palestine relations to the status of a "strategic partnership".⁶⁵ Chinese state media emphasised that there is "greater room for imagination in the negotiations for peace between Palestine and Israel under Beijing's Global Security Initiative" (GSI).⁶⁶

Further, the 10th edition of the 'Arab-China Business Conference' was held in Saudi Arabia.⁶⁷ On June 12, Arab and Chinese officials issued the "Riyadh Declaration" as part of their efforts to strengthen economic and investment partnerships.⁶⁸ Saudi Arabia's Energy Minister, Prince Abdulaziz bin Salman, reiterated, Riyadh seeks "stronger cooperation not competition with China".⁶⁹

⁵⁹ Ibid.

⁶⁰ "Explainer: Why are more countries eager to join BRICS?", Xinhua, June 24, 2023.

⁶¹ "Honduras establishes diplomatic ties with China, severs them with Taiwan", CNN, March 26, 2023.

⁶² "Xi, Xiomara Castro chart course for China-Honduras ties at historic meeting", People's Daily, June 13, 2023.

⁶³ Ibid.

⁶⁴ "Diplomacy: China elevates ties with Palestine, pledging support", Xinhua, June 16, 2023.

⁶⁵ Ibid.

⁶⁶ "Global Security Initiative provides greater room for imagination in peace between Palestine and Israel: Global Times editorial", Global Times, June 13, 2023.

⁶⁷ "Arab-China Business Conference concludes with launch of Riyadh Declaration", Al Arabiya, June 13, 2023.

⁶⁸ Ibid.

⁶⁹ "Saudi Arabia is seeking collaboration not competition with China, energy minister says", CNBC, June 11, 2023.

A Global Times report claimed that the deepening of China-Arab cooperation was a “clear rejection of the US's zero-sum game”.⁷⁰

On June 14, 2023, China hosted a 'Forum on Global Human Rights Governance'.⁷¹ In his letter to the forum, President Xi stressed that “in order to advance modernisation, China has followed the trend of the times and tailored its human rights development path to suit its national conditions”.⁷² He called for putting into action the Global Development Initiative (GDI), Global Security Initiative (GSI), and the Global Civilisation Initiative (GCI) to promote human rights.⁷³

At a meeting on cultural inheritance and development, President Xi called for building a modern Chinese civilisation by integrating basic tenets of Marxism with Chinese realities.⁷⁴ Xi also urged the country's youth attending the 19th National Congress of the Communist Youth League of China to advance national rejuvenation and build China into a modern socialist country.⁷⁵

Trade and Economy

The economic recovery in China continues to be sluggish as factory activity contracted in May 2023 owing to weak demand.⁷⁶ The possibility of 'El Nino' climate pattern could threaten Chinese food security due to extreme weather conditions such as flooding and droughts.⁷⁷ Premier Li Qiang, in a State Council meeting, acknowledged that the country's economic recovery has been impacted by a “complex external environment” and “slowdown in global trade and investment”.⁷⁸ The State Council has called for the improvement of macroeconomic policies, the expansion of effective domestic demand, the strengthening and optimization of the real economy, and the prevention and resolution of risk in critical sectors.⁷⁹ Analysts believe Beijing is preparing to

⁷⁰ “China-Arab cooperation deepens at key biz conference, in clear rejection of US' zero-sum game”, Global Times, June 12, 2023.

⁷¹ “Xi sends congratulatory letter to forum on global human rights governance”, Xinhua, June 14, 2023.

⁷² Ibid.

⁷³ Ibid.

⁷⁴ “Xi stresses building modern Chinese civilization”, People's Daily, June 2, 2023.

⁷⁵ “Youths urged to contribute to national rejuvenation”, China Daily, June 20, 2023.

⁷⁶ “China's economic recovery continues to stutter with manufacturing facing 'downward spiral' as demand weakens”, South China Morning Post, May 31, 2023.

⁷⁷ “How El Nino is threatening China's food-security drive”, South China Morning Post, June 17, 2023.

⁷⁸ “China mulls policies to bolster sustained economic recovery”, The State Council of PRC, June 16, 2023.

⁷⁹ Ibid.

initiate an economic stimulus package to support the country's waning post-pandemic recovery.⁸⁰

Although concerns have been expressed about China's economic recovery, the National Development and Reform Commission (NDRC) stressed that the country's "long-term development outlook remains positive".⁸¹ In order to boost China's flagging economy, the People's Bank of China (PBOC) cut the five-year loan prime rate (LPR) for mortgages from 4.3 percent to 4.2 percent, and the one-year LPR for corporate lending from 3.65 percent to 3.55 percent.⁸²

Chinese local government's "Hidden Debt" which is estimated to be almost USD 10 trillion has raised concern.⁸³ However, Xinhua reported that the fiscal revenue of the Chinese local government maintained a steady growth during the first four months of 2023.⁸⁴

Defence and Security

During the 20th Shangri-La Dialogue, held in Singapore from June 2-4, 2023, the US and Chinese defence ministers exchanged sharp words on security issues.⁸⁵ Li Shangfu, the Chinese Defence Minister, elaborated on Beijing's Global Security Initiative, which he claimed presents a path to true, sustainable security for Asia-Pacific in contrast to the US's bloc confrontation approach.⁸⁶ Li Shangfu reiterated Beijing's commitment to reunifying Taiwan peacefully, but warned that China would not renounce the use of force.⁸⁷ Further, he emphasised the importance of Chinese modernisation as a tool for driving development for all, preserving global peace, and improving global governance.⁸⁸

⁸⁰ "China's State Council fans stimulus hopes with economic plan for faltering growth", South China Morning Post, June 17, 2023.

⁸¹ "China's long-term development outlook unchanged amid pro-growth measures", People's Daily, June 17, 2023.

⁸² "China cuts mortgage rate to prop up economy. Is bigger policy loosening close?", South China Morning Post, June 20, 2023.

⁸³ "Cover Story: China's Effort to Move Mountain of 'Hidden Debt' Faces Uphill Climb", Caixin Global, May 22, 2023.

⁸⁴ "Chinese local gov't fiscal revenue maintains steady growth", Xinhua, June 6, 2023.

⁸⁵ "China presents path to true, sustainable security for Asia-Pacific in contrast to US' bloc confrontation approach at Shangri-La Dialogue", Global Times, June 4, 2023.

⁸⁶ Ibid.

⁸⁷ Ibid.

⁸⁸ Ibid.



Chinese Minister of National Defence, Gen. Li Shangfu delivered a keynote speech at the Shangri-La Dialogue held in Singapore on June 4, 2023.

Source: [Official Flickr Handle of International Institute for Strategic Studies \(IISS\)](#)

Earlier, US Indo-Pacific Command expressed concerns over PLA's J-16 fighters carrying out "unnecessary aggressive manoeuvres" against a US RC-135 reconnaissance aircraft operating in international airspace over the South China Sea.⁸⁹ In response to US accusations, a Global Times editorial noted that the daily instances of US conducting close-range reconnaissance over China have increased.⁹⁰ As a result, the "US military should be deterred from peeping into others' windows like a peeping tom", it added.⁹¹

Reports from open-source intelligence indicated that China was building a spying base in Cuba to monitor communications within the southeast US.⁹² The People's Daily described these allegations as "unfounded" and designed to tarnish China's image.⁹³ Adding that, the "US politicians and media often resort

⁸⁹ "Peeping Tom who constantly peeps into others' windows should be deterred: Global Times editorial", [Global Times](#), May 31, 2023.

⁹⁰ Ibid.

⁹¹ Ibid.

⁹² "Fact Check: Unpacking the US 'Cuban spy base' allegation", [People's Daily](#), June 20, 2023.

⁹³ Ibid.

to slander and smear campaigns against other countries for their own strategic gains".⁹⁴

Meanwhile, China is building a deep-sea research port in the South China Sea (SCS), which will be used to conduct deep sea tests for multiple industries and support the development of advanced national defence industries.⁹⁵ As a consequence, strategic competition in the SCS is expected to intensify over the coming years.

Chinese Ministry of National Defence slammed US and Canadian warships transiting the Taiwan Strait on June 3, 2023.⁹⁶ Amid ongoing tensions between the US and China over Taiwan, the 15th 'Straits Forum' was held in Xiamen, Fujian province.⁹⁷ In his letter to the Forum, President Xi called for joint cross-strait efforts to promote Chinese culture, forge closer bonds, and strive for national rejuvenation.⁹⁸ Despite this, China continued its Taiwan encirclement flights by PLAAF H-6K bombers around Taiwan.⁹⁹ Earlier, China and Russia conducted a joint aerial strategic patrol over the East China Sea and the Sea of Japan with two Chinese H-6K and two Russian Tu-95 bombers.¹⁰⁰

The US Senate Foreign Relations Committee approved the "Taiwan Protection and National Resilience Act" which would require reports from the government agencies on US options to prepare for and respond to a possible Chinese invasion of Taiwan.¹⁰¹ Reacting to this, Chinese state media claimed, the "Senate Foreign Relations Committee is provoking China by showing its war-like mentality."¹⁰²

Chinese analysts welcomed French President Emmanuel Macron's concerns about NATO's plans to open an office in Tokyo.¹⁰³ Adding, Macron's comments are "sober and brave" and he speaks for those countries that oppose NATO's

⁹⁴ Ibid.

⁹⁵ "China builds port to support deep sea research in South China Sea", Global Times, June 18, 2023.

⁹⁶ "China slams US, Canadian warships' transit through Taiwan Strait", Ministry of National Defence of PRC, June 3, 2023.

⁹⁷ "Cross-Strait efforts urged for national rejuvenation", China Daily, June 19, 2023.

⁹⁸ Ibid.

⁹⁹ "H-6K bombers conduct nighttime Taiwan island encirclement flights", Global Times, June 19, 2023.

¹⁰⁰ "Chinese, Russian militaries hold joint aerial strategic patrol in Asia-Pacific region amid US-led provocations", Global Times, June 6, 2023.

¹⁰¹ "US Senate panel shows war-like mentality in pushing new bill provoking China on Taiwan Straits", Global Times, June 9, 2023.

¹⁰² Ibid.

¹⁰³ "Macron's concerns over NATO's Tokyo office plan 'speaks for more members' as they oppose alliance outreaching Asia", Global Times, June 6, 2023.

outreach to the Asia-Pacific region.¹⁰⁴ The Japanese government, they noted, has been bound to the US chariot in containing China, in contrast to the rationality shown by the French.¹⁰⁵ Chinese observers also expressed concerns about the trilateral meeting of the National Security Advisors of the US, Japan, and Republic of Korea (ROK) as an effort to “hying China threat” and destabilising the Asia-Pacific region.¹⁰⁶

During a visit to the PLA's Inner Mongolia military command in north China, President Xi urged Chinese troops to build a "great wall of steel" to protect the country's borders.¹⁰⁷ Xi called for continuous efforts to enhance border troops understanding of CPC's new theories, tighten military discipline, enhance combat preparedness, and speed up capacity building concerning IT-enabled border defence and control.¹⁰⁸ Meanwhile, Beijing issued new rules controlling the social activities of serving and retired senior PLA officers.¹⁰⁹

Technology

The technology war between the world's two largest economies is unlikely to ease, even as President Xi and Secretary Blinken agreed to stabilize China-US relations. As a consequence of US sanctions and export restrictions, China's Artificial Intelligence (AI) sector has been experiencing major shortages of graphics processor units (GPUs).¹¹⁰

A draft AI law will be submitted for consideration to the Standing Committee of the National People's Congress (NPC) by the State Council.¹¹¹ If adopted, this will be China's first national legislation covering AI.¹¹²

With the launch of the Shenzhou-16 manned spacecraft, the Chinese space station entered the application and development phase.¹¹³

¹⁰⁴ Ibid.

¹⁰⁵ Ibid.

¹⁰⁶ “Trilateral meeting of US, Japan, S.Korea hypes 'China threat,' destabilizes region: analysts”, Global Times, June 16, 2023.

¹⁰⁷ “Xi urges troops to forge "great wall of steel" in guarding Chinese borders”, People's Daily, June 10, 2023.

¹⁰⁸ Ibid.

¹⁰⁹ “Chinese military issues ‘unprecedented’ rules for top commanders’ social lives in move not tried ‘even in Mao Zedong’s times’”, South China Morning Post, June 20, 2023.

¹¹⁰ “China’s Big Tech firms scramble for advanced chips amid US sanctions and ChatGPT craze”, South China Morning Post, June 14, 2023.

¹¹¹ “Draft AI law to be reviewed by China's top legislature”, People's Daily, June 9, 2023.

¹¹² Ibid.

¹¹³ “China launches Shenzhou-16 manned spaceship for 5-month intensive tasks in space station”, Xinhua, May 30, 2023.



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