



Delhi Policy Group

Advancing India's Rise as a Leading Power

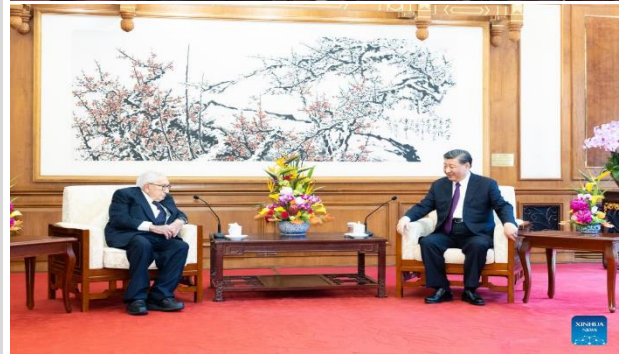


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China Monitor

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:

India's External Affairs Minister, Dr. S. Jaishankar, met with Wang Yi, Director of the Office of the Foreign Affairs Commission of the CPC Central Committee in Jakarta on July 14, 2023. Source: [Embassy of the People's Republic of China in India](#)

Chinese President Xi Jinping met with former US Secretary of State, Henry Kissinger in Beijing on July 20, 2023. Source: [Xinhua/Huang Jingwen](#)

PLA Navy's Zaozhuang frigate is seen during the North/Interaction-2023 joint naval drills held by China and Russia in the Sea of Japan, July 24, 2023. Source: [Global Times](#)

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Abstract

The month saw heightened Chinese military activity from Ladakh to Arunachal Pradesh. Even as the 19th round of Corps Commanders' meeting is yet to take place, China has refused troop disengagement at the strategically located Depsang Plains, as also Demchok, in Eastern Ladakh. This stepped-up PLA activity is underway along all three sectors of the LAC, that includes its Western (Ladakh), Middle (Uttarakhand and Himachal Pradesh), and Eastern (Sikkim and Arunachal Pradesh) sectors.

There were several high-level interactions between Indian and Chinese leaders during the month. On July 14, 2023, External Affairs Minister, Dr. S. Jaishankar, met with Wang Yi, Director of the Office of the Central Commission for Foreign Affairs, on the sidelines of the ASEAN Regional Forum's (ARF) Foreign Ministers' meeting in Jakarta. Dr. Jaishankar reiterated the importance of resolving all "outstanding issues related to peace and tranquillity in border areas" amid the current standoff. National Security Advisor, Ajit Doval, expressed concern regarding the erosion of "strategic trust" between the two countries during a meeting with Wang Yi on the sidelines of the BRICS NSAs' meeting on July 24, 2023.

Wang Yi, on his part, reportedly urged the two countries to overcome obstacles and restore healthy and stable relations by "enhancing mutual strategic trust" and "focusing on consensus and cooperation".

India's Minister of State for Information Technology, Rajeev Chandrasekhar, declared that India is open to Chinese investment despite border tensions between the two countries, as long as its businesses comply with Indian laws.

China has rolled over a USD 2.4 billion loan to Pakistan for the second year in succession. This is seen as a move to boost Pakistan's foreign exchange reserves, which are just enough to pay for two months' imports.

On July 4, 2023, Chinese President Xi Jinping addressed the 23rd meeting of the Council of Heads of State of the Shanghai Cooperation Organisation (SCO) hosted virtually by India. Xi noted that the world is undergoing unprecedented changes and called for strengthening solidarity and trust, maintaining regional security, promoting economic growth, fostering bonds between different civilisations, and promoting global governance and multilateralism.

A month after he disappeared from public view, China's National People's Congress (NPC) removed Qin Gang from his position as Foreign Minister and

appointed Wang Yi in his place. There was no explanation provided by the NPC Standing Committee for the sudden removal of Qin Gang.

President Xi met with former US Secretary of State, Henry Kissinger, in Beijing on July 20, 2023. Xi praised Kissinger's contribution to the promotion of Sino-US relations, describing him as an "old friend". Moreover, Xi reiterated that China and the US can prosper together and urged Kissinger to contribute to re-establishing healthy relations between the two countries. On his part, Wang Yi urged Washington to show "Kissinger-style diplomatic wisdom" in its China policies.

On July 7, 2023, US Treasury Secretary, Janet Yellen, met with Chinese Premier Li Qiang in Beijing, as part of ongoing US-China trade and economic consultations. Premier Li underscored the importance of a stable China-US relationship, mutual benefit as the essence of bilateral economic relations, and the need to prevent trade and economic relations from becoming politicised. Even as Secretary Yellen stressed the importance of "healthy competition", a Global Times editorial reiterated that Washington's flawed perception of China is the root cause of problems in the US-China relationship.

US-China tensions over Taiwan continue unabated. President Xi inspected the headquarters of the PLA Eastern Theatre Command (Opposite Taiwan) on July 6, 2023, and called on the PLA to strengthen its war readiness.

Germany unveiled its China strategy aimed at recalibrating ties with its top trading partner. The strategy highlights the need for Germany to reduce its economic dependence on China, particularly in critical sectors, and 'de-risk'.

Amidst the growing technology competition with the US-led West, China has restricted exports of germanium and gallium, two critical minerals crucial to semiconductor production and other high-tech products.

At its Summit which took place in Vilnius, Lithuania on July 11-12, 2023, NATO reaffirmed its commitment to "address the systemic challenges posed by China to Euro-Atlantic security". China responded that the NATO Communiqué contradicts the truth and is a "product of Cold War mentality". It warned NATO not to pursue a zero-sum mindset that would destabilise Europe and the Asia-Pacific region. Meanwhile, continuing the deepening of the China-Russia strategic partnership, the two countries held a 'Northern/Interaction-2023' naval exercise in the Sea of Japan.

China was described as an “unprecedented and greatest strategic challenge” in Japan’s Defence White Paper of 2023. Rejecting this assertion, Beijing reminded Japan that it upholds world peace and stability and does not challenge or threaten anyone, adding that “Japan is moving down the path of military expansion that poses a serious threat to regional and global peace”.

China’s uneven post-pandemic economic recovery has generated concerns about faltering private sector confidence, high youth unemployment, and property market risks.

Foreign and Security Policy

I. China-India Relations

The month saw heightened Chinese military activity from Ladakh to Arunachal Pradesh. Even as the 19th round of the Corps Commanders meeting is yet to take place, China has refused troop disengagement at strategically located Depsang Plains as also Demchok in Eastern Ladakh. China continues to consolidate its military positions and upgrade its deployments in terms of artillery positions, surface-to-surface missiles, radar systems as also upgrading its air bases. Importantly this stepped-up PLA activity is underway along all three sectors of LAC, Western (Ladakh), Middle Sector (Uttarakhand and Himachal), and Eastern (Sikkim and Arunachal Pradesh). Concerned with this development, COAS, Gen. Manoj Pande visited forward areas in Ladakh to review the operational situation and is scheduled to visit other sectors as well.¹

A number of high-level interactions took place between Indian and Chinese leaders during the month.

First, a meeting took place in Jakarta between External Affairs Minister Dr. S. Jaishankar and Wang Yi, Director of the Office of the Central Commission for Foreign Affairs on July 14 on the sidelines of the ASEAN Regional Forum's (ARF) Foreign Ministers' meeting wherein ² Dr. Jaishankar highlighted the importance of resolving all "outstanding issues related to peace and tranquility in border areas". The statement issued by India's External Affairs Ministry underlined that Dr. Jaishankar "reiterated the need to sustain the momentum to complete disengagement from all the remaining areas to restore peace and tranquility in the border areas."³. Their discussion also "covered EAS/ARF agenda, BRICS and the Indo-Pacific".⁴

Following the meeting between Dr. Jaishankar and Wang Yi, India's National Security Advisor, Ajit Doval, met Wang Yi, on the sidelines of the BRICS National Security Advisors meeting on July 24 in South Africa. NSA Doval outlined that the strategic trust between the two countries has been eroded owing to the situation along the Line of Actual Control (LAC). He emphasised the importance of continuing efforts to fully resolve the situation and restore

¹ "Heightened PLA activity along LAC", [The Times of India](#), July 28, 2023.

² "Jaishankar meets Chinese Foreign Minister Wang Yi in Bali, calls for early resolution of LAC row," [The Indian Express](#), July 8, 2023

³ Ibid.

⁴ "ASEAN: Jaishankar discuss border peace, tranquility with Chinese diplomat," [ANI](#), July 14, 2023

peace and tranquility, to remove impediments to normalcy in bilateral relations". Both agreed that the India-China bilateral relationship was significant "not only for the two countries but also for the region and the world".⁵



India's External Affairs Minister, Dr. S. Jaishankar, met with Wang Yi, Director of the Office of the Foreign Affairs Commission of the CPC Central Committee in Jakarta on July 14, 2023.

Source: [Embassy of the People's Republic of China in India](#)

As per the Chinese readout of the meeting, Wang Yi reiterated that India should meet "[China halfway and find a solution to the border issue that is acceptable to both sides](#)". Wang also noted that China "is highly concerned about India's recent restrictive measures against Chinese companies and hoped that India will provide them a fair, transparent and non-discriminatory business environment".⁶

Further, China claimed that in line with the consensus reached between Prime Minister Narendra Modi and Chinese President Xi Jinping "the two sides should adhere to the strategic judgment of the leaders of the two countries that "they do not pose a threat to each other, and they are each other's development

⁵ "Meeting of National Security Advisor with his Chinese counterpart on the sidelines of the BRICS NSAs' Meeting," [Ministry of External Affairs](#), India, July 25, 2023

⁶ "China urges India to stabilise ties for mutual benefit after BYD's failed US\$1 billion EV factory bid," [South China Morning Post](#), July 25, 2023

opportunities", urging an "early" return of bilateral relations to the "track of healthy and stable development."⁷ According to the Chinese statement Wang Yi further said, whether India and China "support" or "consume" each other would decide their own development and the direction of the world. He also pointed to the rise of developing countries or the Global South and said China was willing to work with India on building a multipolar world.⁸ The issue of strategic consensus was not in the public domain till the Chinese MFA statement (not available on the net). MEA reacting to this in a press release on July 28, 2023, confirmed that two leaders exchanged pleasantries and spoke about the need to stabilise bilateral relations.⁹

A day before Dr. Jaishankar's meeting with Wang Yi, Prime Minister Narendra Modi called the 14th Dalai Lama to greet him on his 88th birthday. It was a tacit message to China, about Dalai Lama's presence as a spiritual leader of Tibet, living in exile in India.¹⁰ The Tibetan Government in Exile (TGiE) had invited a parliamentarian from Taiwan as a special guest to the birthday ceremony at its headquarters in Dharamshala, Himachal Pradesh.

In another development, New Delhi as per past practice, refused to endorse the paragraph supporting BRI (Belt and Road Initiative), in the Delhi Declaration of the SCO issued at the end of the virtual summit.¹¹ The BRI paragraph reads, "Reaffirming their support for China's "Belt and Road Initiative" (BRI) initiative, the Republic of Kazakhstan, Kyrgyz Republic, Islamic Republic of Pakistan, Russian Federation, Republic of Tajikistan and Republic of Uzbekistan note the ongoing work to jointly implement this project, including efforts to link the construction of the Eurasian Economic Union and BRI."¹² India has always opposed the BRI, on the grounds that China-Pakistan Economic Corridor (CPEC) violates India's territorial integrity and sovereignty.

In an important announcement, Minister of State for Information Technology, Rajeev Chandrasekhar, declared that India is open to Chinese investment despite border tensions between the two countries. "We are open to doing business with any company anywhere as long as they are investing and

⁷ "Modi and Xi reached consensus at Bali, claims China as NSA Doval delivers tough message on LAC," The Hindu, July 25, 2023

⁸ Ibid.

⁹ Ibid.

¹⁰ "PM Modi calls Dalai Lama on his birthday, exiled Tibetan govt has Taiwanese MP as special guest in ceremony," Deccan Herald, July 6, 2023

¹¹ "At SCO meet, India refuses to back China's BRI project", The Indian Express, July 5, 2023.

¹² Ibid.

conducting their business lawfully and are in compliance with the Indian laws," adding that India was "open to all investment, including Chinese".¹³

II. China-South Asia Relations

China has rolled over a USD 2.4 billion loan for Pakistan for the second year in a succession. This is seen as a move to boost Pakistan's foreign exchange reserves, which are just enough to pay two months import bill. Analysts in Pakistan call this a debt trap, though the government denies such assumptions.¹⁴

Pakistan launched 1200-megawatt nuclear power plant worth a whopping USD 3.5 billion to be built by the Chinese at Chashma in the Mianwali district of Punjab, as a sign of growing strategic cooperation.¹⁵ The issue is, while Pakistan is continuing to add more electric power, it is costly, forcing the government to provide subsidy to consumers, pushing the country further down the road of debt.

A Chinese industrial delegation, after a meeting with the Taliban's Acting Prime Minister Maulvi Abdul Kabir, has said it would spend USD 350 million in Afghanistan, particularly in the mining sector. On July 5, China launched a new land link to Afghanistan. A freight train departed from Lanzhou, the capital of northwest China's Gansu Province, headed for Hairatan in Afghanistan. The 3,125 km route uses both rail and road, passing through Kyrgyzstan and Uzbekistan.¹⁶

Chinese Ambassador to Bangladesh, Yao Wen, called on Foreign Minister Dr. A K Abdul Momen on July 5.¹⁷ During the meeting, Dr. Momen reiterated Bangladesh's commitment to enhancing South-South cooperation for greater collective benefit of the global South. Underscoring China as a trusted partner, Dr. Momen laid out Dhaka's expectations for enhancing bilateral ties. During a public interaction on July 8, commenting on bilateral relations, Dr. Momen said, "Some people think we are rushing towards China, but (actually) we are

¹³ "India open to Chinese investment, as long as they conduct ops lawfully: MoS IT Chandrasekhar," [The Economic Times](#), July 26, 2023

¹⁴ "Pakistan says China has rolled over \$2.4 bln loan for two years," [The Economic Times](#), July 27, 2023

¹⁵ "Pak PM Shehbaz Sharif launches USD 3.5 billion Chinese-designed nuclear energy project," [Press Trust of India](#), July 14, 2023

¹⁶ "Chinese Mining Company to Invest in Afghanistan," [Tolo News](#), July 8, 2023

¹⁷ "Ambassador Yao Wen Calls on Foreign Minister of Bangladesh," [Embassy of China in Bangladesh](#), July 6, 2023

not heading towards anyone...We are not anyone's tail...We are not China's tail," he added.¹⁸

Meanwhile, China pledged to provide CNY 8 million grant assistance to Nepal for the promotion of the agriculture sector covering all seven provinces of the country.¹⁹ The decision was taken during a meeting between House of Representatives Speaker Devraj Ghimire and Yuan Jiajun, a politburo member of the Communist Party of China (CPC), on July 22. Yuan arrived on a three-day visit to Nepal, leading a 26-member delegation.²⁰ Earlier in the month, The Communist Party of China (CPC) launched the "Silk Roadster" platform under the Belt and Road Initiative (BRI). The platform is a new concept brought to Nepal to mark the tenth anniversary of the proposition of the BRI by Chinese President Xi Jinping.²¹

According to data published by China daily, the volume of trade between China occupied Tibet and Nepal increased 4.7 percent year-on-year in the first half of 2023.²² Nepal has long been a major destination for Tibet's outbound direct investment and an important source of foreign capital. So far, Tibet has invested in 20 projects in Nepal, with the total investment exceeding \$87.33 million. Gao Baojun, deputy secretary general of the Tibet regional government said, "Nepal is the most important trade partner of Tibet".²³

III. China-United States Relations

US Secretary of State Antony Blinken in an interview said the US is attempting to strengthen the "lines of communication" with China to avoid conflict between the two superpowers. "We are working to put some stability into the relationship, to make sure that the competition that we're in does not veer into conflict." A conflict, Blinken added, "would not be in our interest, their interest, or anyone else's."²⁴

He further stated, "We weren't doing a lot of talking before. Now we are. We have different groups that are engaged, or about to engage, on discrete issues

¹⁸ "We are not China's "tail": Momen," [Jago News](#), July 8, 2023

¹⁹ "China pledges 8 million Yuan assistance to Nepal for agricultural sector," [Deccan Herald](#), July 25, 2023

²⁰ Ibid.

²¹ "China launches 'Silk Roadster' projects under BRI in Nepal," [The Kathmandu Post](#), July 19, 2023

²² "Volume of trade between China's Tibet and Nepal maintains steady growth in H1," [China Daily](#), July 27, 2023

²³ Ibid.

²⁴ "Secretary Antony J. Blinken with Fareed Zakaria of GPS, CNN," [US Department of State](#), July 23, 2023

... that are problems ... in the relationship where I believe we can, I think, get to a resolution," Blinken said.²⁵

However, in a separate statement during a visit to the Pacific island nation of Tonga, Secretary [Antony Blinken](#) warned of China's "[problematic behaviour](#)" citing Beijing's militarisation of the South China Sea and what he called economic coercion.²⁶ He said, that the US had no objection to China's engagement with the region but there were concerns that its investments needed to be transparent and undertaken with sustainable finance.²⁷

As part of wider efforts to defuse tensions with the US, during the month, China hosted three US officials, former US Secretary of State Henry Kissinger, Secretary of the Treasury Janet Yellen, and Special Envoy for Climate John Kerry.

[US Treasury Secretary Janet Yellen](#) concluded her four-day trip to China on July 9. Striking a conciliatory tone, she said, "The US and China have significant disagreements. Those disagreements need to be communicated clearly and directly."²⁸ Yellen met Chinese Premier Li Qiang, and Vice Premier He Lifeng; Finance Minister Liu Kun, and senior banker of the People's Bank of China, Pan Gongsheng.²⁹

The areas of discussion included: US business interests, emphasis on "diversification and de-risking, not decoupling", and common interests of climate financing and net-zero carbon economies.³⁰ [Yellen said despite "significant disagreements" between the two countries](#), the US did not view its economic might as a weapon to be deployed against China. "President Biden and I do not see the relationship between the US and China through the frame of great power conflict. We believe that the world is big enough for both of our countries to thrive."³¹

[With regard to US business interests, she said](#) China's recent decision to impose export restrictions for two critical minerals (used in technologies like semiconductors), gallium and germanium, was flagged. "We are still evaluating

²⁵ Ibid.

²⁶ "Antony Blinken calls China's behaviour in the Pacific 'problematic' on visit to Tonga," [The Guardian](#), July 26, 2023

²⁷ Ibid.

²⁸ "US Treasury Secretary Janet Yellen's China visit: The 3 key takeaways," [The Indian Express](#), July 11, 2023

²⁹ Ibid.

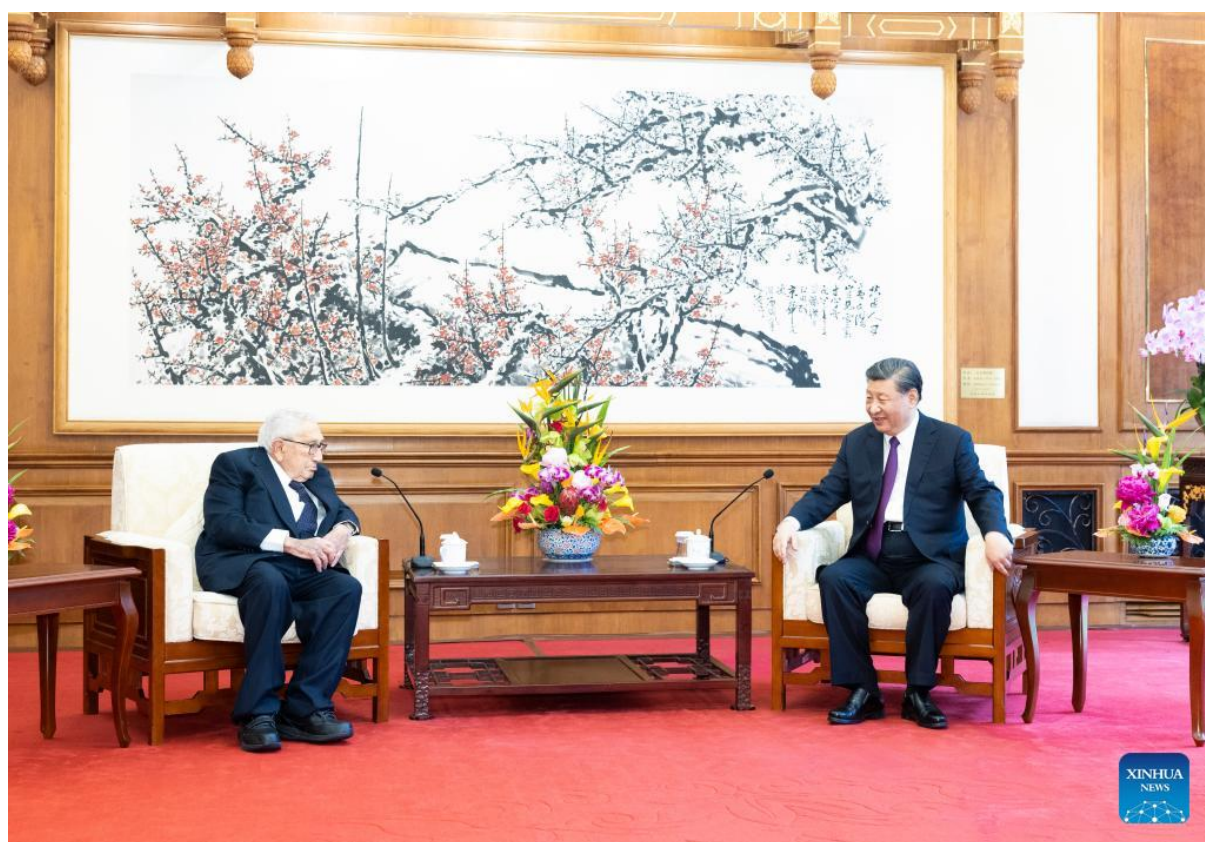
³⁰ Ibid.

³¹ "Remarks by Secretary of the Treasury Janet L. Yellen at Press Conference in Beijing, the People's Republic of China," [US DEPARTMENT OF THE TREASURY](#), July 8, 2023

the impact of these actions, but they remind us of the importance of building resilient and diversified supply chains," Yellen added.³²

Second, Yellen said in China, "There is an important distinction between decoupling, on the one hand, and, diversifying critical supply chains or taking targeted national security actions on the other. We know that a decoupling of the world's two largest economies would be disastrous for both countries and destabilising for the world. And it is virtually impossible to undertake."³³

Third, citing the two countries' as the world's two largest emitters of greenhouse gasses and the largest investors in renewable energy she discussed the scope of US-China cooperation on climate finance.³⁴



President Xi Jinping met with former US Secretary of State, Henry Kissinger in Beijing on July 20, 2023. Source: [Xinhua/Huang Jingwen](#)

³² "Remarks by Secretary of the Treasury Janet L. Yellen at Roundtable Discussion with U.S. Businesses Operating in the People's Republic of China (PRC)," [US DEPARTMENT OF THE TREASURY](#), July 7, 2023

³³ "Remarks by Secretary of the Treasury Janet L. Yellen at Press Conference in Beijing, the People's Republic of China," [US DEPARTMENT OF THE TREASURY](#), July 8, 2023

³⁴ "Remarks by Secretary of the Treasury Janet L. Yellen at Climate Finance Roundtable in the People's Republic of China," [US DEPARTMENT OF THE TREASURY](#), July 7, 2023

Chinese Premier Li Qiang, on his part, stressed the importance of a stable China-US relationship, mutual benefits as the essence of bilateral economic relations, and the need to prevent trade and economic relations from becoming politicised. As Secretary Yellen stressed the importance of “healthy competition”, a Global Times editorial reiterated that Washington's flawed perception of China is the root cause of problems in the US-China relationship.³⁵

Following Janet Yellen's trip, Veteran US diplomat Henry Kissinger met Chinese President Xi Jinping on July 20 during a surprise visit to Beijing.³⁶ The White House informed that Kissinger was not visiting China on behalf of the U.S. government. During his meeting with Kissinger, President Xi praised Kissinger's contribution to the promotion of Sino-US relations, describing him as an “old friend”.³⁷ Moreover, Xi reiterated that China and the US can prosper together and urged Kissinger to contribute to re-establishing a healthy relationship between the two countries.³⁸ Wang Yi, called upon Washington to show “Kissinger-style diplomatic wisdom” and “Nixon-style political courage” in its China policies.³⁹ Meanwhile, the Biden administration expressed disappointment that Kissinger, a private citizen, was able to meet with Chinese Defence Minister and communicate, while the US government was unable to do so.⁴⁰ Kissinger's talks with Xi was followed by his meeting with China's defence minister, Li Shangfu. It appears that Kissinger is being used to break the impasse on senior military leaders meeting, which China is stonewalling.

As US Special Envoy for Climate, John Kerry, visited Beijing, a Global Times editorial claimed that resuming China-US climate cooperation depends on the overall atmosphere of bilateral relations, which remains at its lowest point since diplomatic ties were established.⁴¹ Further, the People's Daily editorial called upon developed countries to face up to their responsibilities to address climate change.⁴²

³⁵ “Hope Yellen's ‘healthy competition’ is not a US-style one: Global Times editorial”, Global Times, July 10, 2023.

³⁶ “Xi Jinping Praises Henry Kissinger in Beijing, in Veiled Message to Biden Administration,” The Wall Street Journal, July 20, 2023

³⁷ Ibid.

³⁸ Ibid.

³⁹ “Diplomat: US needs Kissinger-style wisdom”, China Daily, July 20, 2023.

⁴⁰ “Washington reacts to Kissinger's China reception with ‘sour grapes’ mentality”, Global Times, July 21, 2023.

⁴¹ “Restarting climate cooperation relies on overall atmosphere of China-US relations: Global Times editorial”, Global Times, July 19, 2023.

⁴² “Developed countries must face up to their responsibilities to address climate change”, People's Daily Editorial, July 15, 2023.

IV. China-European Union Relations

Germany unveiled its China strategy aimed at recalibrating ties with its top trading partner. Amid growing criticism of Beijing's human rights record and attitude towards international law, the strategy highlights the need for Germany to reduce its economic dependence on China, particularly in critical sectors, and 'de-risk'.⁴³ China is Germany's most important trading partner, with trade between the two nations reaching nearly EUR 300 billion (USD 335 billion) in 2022.⁴⁴ The document claimed, China has changed, as a result of this, we too need to change our approach to China. Nonetheless, China is described as a crucial partner in tackling climate change, pandemics, and sustainable development.⁴⁵

Amidst growing US-China technology competition, China ordered export restrictions on germanium and gallium, two technology-critical elements as well as several of their compounds, in retaliation towards Western curbs on its semiconductor industry.⁴⁶ The minerals are key to making advanced electronics, including microchips, electric vehicles and solar panel technology.⁴⁷ The restrictions came after the Netherlands followed the lead of the United States in blocking China's access to equipment used for making advanced chips, citing national security reasons without naming Beijing directly.⁴⁸ In light of China's export restrictions on germanium and gallium, Global Times warned that the US-led West should not expect Beijing to remain silent while it continues to contain and suppress China through various export restrictions.⁴⁹ Adding that, "China's export control is a precise counterattack against the US, Japan, and Netherlands".⁵⁰

EU's foreign affairs chief Josep Borrell has "tentatively" agreed to visit China in October 2023 following a meeting with China's top diplomat Wang Yi in Jakarta

⁴³ "Germany's strategy towards China: A farewell to illusions," Centre for Eastern Studies, July 19, 2023

⁴⁴ "China has changed.' Germany unveils strategy to cut reliance on world's no. 2 economy," CNN, July 14, 2023

⁴⁵ "Germany's new strategy for dealings with China," The Economist, July 20, 2023

⁴⁶ "EU, alarmed by China's new export curbs on germanium and gallium, hastens to assess exposure," South China Morning Post, July 8, 2023

⁴⁷ Ibid.

⁴⁸ "Netherlands, home to a critical chip firm, follows U.S. with export curbs on semiconductor tools," CNBC, June 30, 2023

⁴⁹ "Is China's export control a precise counterattack against US, Japan and the Netherlands?: Global Times editorial", Global Times, July 5, 2023.

⁵⁰ Ibid.

on July 14.⁵¹ During the meeting in Jakarta, Wang Yi emphasised that EU should clarify its position on the strategic partnership between the two sides and promote an upward trajectory of China-EU relations.⁵² Further, in the backdrop of the Ukraine war, Wang Yi said that China supports the building of a balanced, effective and sustainable European security architecture, and will continue to be committed to talks for peace and play a constructive role in a political settlement of the crisis.

V. China-Russia Relations

Continuing the deepening of Sino-Russian strategic partnership, the two sides conducted an air and naval exercise in the Sea of Japan aimed at "safeguarding" the security of waterways. More than 10 warships and over 30 warplanes from both sides took part in the four-day "Northern/Interaction-2023" exercise in which the two navies and air forces jointly planned and commanded naval and aerial escorts, deterrence and repelling exercises.⁵³ Chinese director of the drills Qiu Wensheng described the exercise as "a major move" in safeguarding the security of strategic waterways, while Rear Admiral Calery Kazkov of Russia, deputy director of the drill, said it strengthened the ability of both sides to handle military threats.⁵⁴

Following the Northern/Interaction-2023 joint exercises, China and Russia will soon launch their third joint naval patrol, which will feature both sides' warships sailing into West and North Pacific waters. This is the third time the two nations have conducted a combined naval patrol.⁵⁵

Amidst the United States beefing up ties with Japan, South Korea and the NATO, delegations from Russia and China, North Korea's key allies, gathered in Pyongyang to celebrate North Korea's "Victory Day". Analysts stressed that the presence of the Chinese and Russian delegations at the armistice anniversary "underscores the importance Pyongyang attaches to its

⁵¹ "EU foreign affairs chief Josep Borrell eyes October trip to China, but has not been assured he will meet absent Foreign Minister Qin Gang, sources say," [South China Morning Post](#), July 18, 2023

⁵² "China tells European Union to clarify strategic stand on Beijing," [South China Morning Post](#), July 15, 2023

⁵³ "Chinese, Russian Warships Continue Exercises in Sea of Japan; North Korea Resumes Missile Launches," [USNI News](#), July 25, 2023

⁵⁴ "China, Russia conclude drills as US, South Korea, Japan deepen security ties," [Reuters](#), July 24, 2023

⁵⁵ "China, Russia to hold third joint naval patrol in West and North Pacific waters," [ANI](#), July 27, 2023

relationships with both countries.”⁵⁶ Chinese state media warned that the US would continue to suffer if it fails to learn the lessons from the Korean War on the occasion of the 70th anniversary of the signing of the Korean Armistice Agreement.⁵⁷



PLA Navy's Zaozhuang frigate is seen during the North/Interaction-2023 joint naval drills held by China and Russia in the Sea of Japan, July 24, 2023. Source: [Global Times](#)

According to a new US intelligence report, China is providing crucial support for Russia's war effort in Ukraine by “pursuing a variety of economic support mechanisms for Russia that mitigate both the impact of Western sanctions and export controls,” while also supplying Moscow with key technology.⁵⁸ The report, titled “Support Provided by the People's Republic of China to Russia” 2023, is unclassified and largely cites open-source data and western press reporting to support its claims. China has not yet reacted to the outcome of the reports.⁵⁹

⁵⁶ “North Korea, China and Russia commemorate ‘victory’ 70 years ago, while aligning on Ukraine,” [CNN](#), July 27, 2023

⁵⁷ “If the US fails to learn lessons from Korean War, it will continue to suffer: Global Times editorial,” [Global Times](#), July 26, 2023

⁵⁸ “China helps Russia evade sanctions and likely most supplies tech used in Ukraine, U.S. report says,” [NBC News](#), July 27, 2023

⁵⁹ “US intel report details increasing importance of Chinese technology to Russia's war in Ukraine,” [CNN](#), July 27, 2023

Internal Developments

Key Meetings and Addresses by Chinese Leaders

The Communist Party of China (CPC) celebrated its 102nd anniversary on July 1, 2023.⁶⁰ According to Xinhua, the CPC had 98.04 million members at the end of 2022.⁶¹ President Xi urged the Political Bureau of the CPC Central Committee to deepen the Party's theoretical (conceptual) innovation by adapting Marxism to the Chinese context.⁶² Xi also reiterated the importance of strengthening the CPC's control over the country's armed forces.⁶³ Xinhua published a report on the CPC's "Second Integration" theory, which integrates Marxism with traditional Chinese culture and provides deeper insights into Chinese modernisation, a new model for human advancement.⁶⁴

On July 4, 2023, Chinese President Xi Jinping addressed the 23rd meeting of the Council of Heads of State of the Shanghai Cooperation Organisation (SCO) by video conference.⁶⁵ In his speech, President Xi noted that the world is undergoing unprecedented changes and called for strengthening solidarity and trust, maintaining regional security, promoting economic growth, fostering bonds between different civilisations, and promoting global governance and multilateralism.⁶⁶ Xinhua referred to Xi's remarks (Xiplomacy) at the SCO Summit as evidence of China's commitment to peace and development.⁶⁷

Wang Yi, Director of the Office of the Foreign Affairs Commission of the CPC Central Committee addressed ASEAN Regional Forum (ARF) Foreign Minister's Meeting in Jakarta, Indonesia, on July 14, 2023.⁶⁸ The ARF foreign ministers' meeting was attended by Wang Yi in place of Foreign Minister Qin Gang reportedly due to "health reasons".⁶⁹ Amidst a month long absence from public

⁶⁰ "102-year-old CPC attracts more talent, leading China to achieve more miracles", Xinhua, July 1, 2023.

⁶¹ Ibid.

⁶² "Xi calls for more achievements in Party's theoretical innovation", People's Daily, July 1, 2023.

⁶³ "Xi stresses enhancing Party leadership over armed forces", Global Times, July 21, 2023.

⁶⁴ "Xinhua Headlines: Report on CPC's "Second Integration" theory unlocks understanding of China", Xinhua, July 2, 2023.

⁶⁵ "Full text of Xi's address at SCO summit", Xinhua, July 4, 2023.

⁶⁶ Ibid.

⁶⁷ "Xiplomacy: Xi's remarks at SCO summit illustrate China's commitment to peace, development", Xinhua, July 6, 2023.

⁶⁸ "Wang Yi puts forward proposal on security, stability in Asia-Pacific", People's Daily, July 15, 2023.

⁶⁹ "Where's Qin Gang? China foreign minister not seen in a month amid affair rumours", India Today, July 22, 2023.

view, on July 25, 2023, China's National People's Congress (NPC) removed Qin Gang from his post as foreign minister and appointed Wang Yi to replace him.⁷⁰ There was no explanation provided by the NPC Standing Committee for the removal of Qin Gang.

In his remarks at ARF foreign ministers' meeting, Wang Yi made key proposals to maintain strategic stability in the Asia-Pacific region. He stressed on maintaining openness and inclusivity, safeguarding regional rules, promoting common universal security, and opposing the Asia-Pacific version of NATO.⁷¹

Further, Wang Yi addressed the opening ceremony of the International Forum for Trilateral (China-Japan-ROK) Cooperation 2023 held in Qingdao on July 3, 2023.⁷² He emphasised the importance of Trilateral Cooperation for the modernisation of the three countries, calling for mutual trust, mutual benefit, mutual assistance, and mutual learning.⁷³ Meanwhile, at the first high-level conference of the Forum on Global Action for Shared Development, Wang Yi reiterated China's commitment to implementing the Global Development Initiative (GDI) in a sustainable manner to implement the UN's 2030 agenda for sustainable development.⁷⁴

Trade and Economy

The second quarter of 2023 saw China's GDP grow by 6.3 percent year-on-year, partly due to a low base from second quarter of 2022⁷⁵, when coronavirus lockdown had slowed growth to 0.4 percent.⁷⁶ Compared to the first quarter of 2023, Chinese economy grew by only 0.8 percent.⁷⁷ As a result, analysts expressed concerns over China's uneven post-pandemic economic recovery, faltering private sector confidence, record youth unemployment, and property market risks.⁷⁸ In June 2023, China's unemployment rate for the 16-24 age

⁷⁰ "China's top legislature holds session, foreign minister, central bank governor appointed", Xinhua, July 25, 2023.

⁷¹ "Wang Yi puts forward proposal on security, stability in Asia-Pacific", People's Daily, July 15, 2023.

⁷² "China, Japan, ROK should relaunch cooperation efforts: senior Chinese diplomat", People's Daily, July 4, 2023.

⁷³ Ibid.

⁷⁴ "China to promote more positive, effective, sustainable measures to implement GDI: senior diplomat", Xinhua, July 10, 2023.

⁷⁵ "Update: China's GDP Grew 6.3% in Second Quarter, Missing Market Expectations", Caixin Global, July 17, 2023.

⁷⁶ "China GDP: disappointing second-quarter growth tests Beijing's ammunition to fix uneven economic recovery", South China Morning Post, July 17, 2023.

⁷⁷ Ibid.

⁷⁸ Ibid.

group shot to a new high of 21.3 percent.⁷⁹ As the Chinese economy faces “new challenges and difficulties”, the CPC Central Committee's Political Bureau called for an increase in macroeconomic policy support in the second half of 2023.⁸⁰ In addition, the Chinese government issued a set of guidelines (31 measures) aimed at boosting the private sector's development.⁸¹

As Western concerns about China's anti-espionage law grew, foreign direct investment reportedly declined to USD 20 billion in the first quarter of 2023, down from USD 100 billion in the first quarter of 2022.⁸² Concerned with the development, Beijing has vowed to provide clarity to foreign businesses regarding China's anti-espionage law and assure them that policies will be transparent and predictable.⁸³ Meanwhile, during June 2023, Chinese exports declined at their steepest rate since the early days of the Coronavirus pandemic in February 2020.⁸⁴

Despite concerns about China's faltering economic recovery, state media claimed that the economy grew steadily in the first half of 2023, and its prospects appear promising.⁸⁵ The Chinese National Development and Reform Commission (NDRC) rejected the “slowdown” hype created by the West, stating that China is on track to achieve its 5 percent growth target for 2023.⁸⁶

Xinhua expressed concerns about the talk of “de-risking” from China.⁸⁷ In a series of comments, it claimed that de-risking is a synonym for decoupling in key sectors, such as high-tech, where Western powers want to maintain their global dominance.⁸⁸ Adding that, as part of the US's efforts to thwart China's development, de-risking will increase economic friction and impede global economic recovery.⁸⁹ In light of this, Caixin Global editorial urged Washington

⁷⁹ “Charts of the Day: China’s Youth Unemployment Hits Another Record High at 21.3%”, Caixin Global, July 17, 2023.

⁸⁰ “Recovery to get more policy support”, People’s Daily, July 25, 2023.

⁸¹ “Guideline issued to boost development of private sector”, China Daily, July 19, 2023.

⁸² “Xi Jinping Chokes Off Crucial Engine of China’s Economy”, The Wall Street Journal, July 13, 2023.

⁸³ “China seeks to reassure multinationals over anti-spying law”, Nikkei Asia, July 22, 2023.

⁸⁴ “China’s Drop in Exports Signals Deepening Slowdown in Global Trade”, The Wall Street Journal, July 13, 2023.

⁸⁵ “Xinhua Headlines: Chinese economy witnesses steady growth in H1, prospects look bright”, Xinhua, July 17, 2023.

⁸⁶ “China has capacity, confidence to realize annual growth target as nation tackles challenges with swift measures”, Global Times, July 19, 2023.

⁸⁷ “De-risking: I want your market, but you need to slow down tech development”, Xinhua, July 5, 2023.

⁸⁸ Ibid.

⁸⁹ “Xinhua Commentary: Why “de-risking” poses immense risks to world”, Xinhua, July 20, 2023.

and Beijing to develop a shared understanding of “cooperation” and “competition” that would benefit US-China relations.⁹⁰ Amid shifting sands in economic ties with the US, China is looking to Saudi Arabia to boost its economy.⁹¹

President Xi, in his address to the Central Commission for Deepening Overall Reform called for higher standard economic opening-up and transition to a low-carbon economy.⁹² In the meeting, President Xi also discussed modernising agriculture, building an ecological civilisation, fostering innovation, improving national oil and gas supply capability, promoting high-quality BRI cooperation, and reforming global governance.⁹³ With Xi's emphasis on sustainable development, Xinhua shed light on China's New Energy Vehicle (NEV) sector that is entering a “new phase of high-quality development, marked by a steady increase in output, sales, exports, and consumption potential”.⁹⁴

Defence and Security

Amidst ongoing tensions between the US and China over Taiwan, President Xi inspected the headquarters of the PLA Eastern Theater Command in east China's Jiangsu Province on July 6, 2023.⁹⁵ Xi called on the PLA to strengthen its war readiness as China faces an increased level of instability and uncertainty.⁹⁶ There have been reports that a number of senior officers of the PLA Rocket Force, at or above the rank of deputy commander, have been purged in recent months for allegedly disclosing sensitive military information.⁹⁷

According to the Japanese Defence White Paper of 2023, China poses an “unprecedented and greatest strategic challenge” to Japan.⁹⁸ Rejecting this,

⁹⁰ Editorial: A Shared Understanding of ‘Competition’ and ‘Cooperation’ Will Better Serve China-U.S. Relations, Caixin Global, July 10, 2023.

⁹¹ “Cover Story: China Looks to Saudi Arabia Amid Shifting Sands in U.S. Economic Ties”, Caixin Global, July 10, 2023.

⁹² “Xi stresses higher-standard open economy, energy transition”, People's Daily, July 12, 2023.

⁹³ Ibid.

⁹⁴ “Economic Watch: China's NEV sector sustains high-quality development”, Xinhua, July 16, 2023.

⁹⁵ “Xi stresses breaking new ground for war preparedness in PLA Eastern Theater Command inspection”, Ministry of National Defence of PRC, July 6, 2023.

⁹⁶ Ibid.

⁹⁷ “ANALYSIS: China's Rocket Force Faces Purge Over Possible Disclosure of Military Secrets”, The Epoch Times, July 19, 2023.

⁹⁸ “Japan's increasing military expansion poses significant challenges to regional and global peace: Chinese Defence Ministry”, Global Times, July 29, 2023.

Beijing reminded Japan that it “upholds world peace and stability” and “does not challenge or threaten anyone”.⁹⁹ Adding that, “Japan is moving down the path of military expansion that poses a serious threat to regional and global peace”.¹⁰⁰



Chinese President Xi Jinping inspected the headquarters of PLA Eastern Theatre Command on July 6, 2023. Source: [Ministry of National Defence, PRC](#)

The NATO Summit took place in Vilnius, Lithuania on July 11-12, 2023, during which NATO reaffirmed its commitment to “address the systemic challenges posed by China to Euro-Atlantic security”.¹⁰¹ Chinese Foreign Ministry asserted that NATO’s Communiqué contradicts the truth and is a “product of Cold War mentality”.¹⁰² It warned NATO not to pursue a zero-sum mindset that would destabilise Europe and the Asia-Pacific region.¹⁰³ A Global Times editorial warned that NATO has become more “ambitious, aggressive, and arrogant”, and that it must “control its impulse to expand” and “respect legitimate security

⁹⁹ Ibid.

¹⁰⁰ Ibid.

¹⁰¹ NATO Vilnius Summit Communiqué, [North Atlantic Treaty Organisation](#) (NATO), July 11, 2023.

¹⁰² “NATO urged to halt “dangerous attempt” to destabilize Europe, Asia-Pacific”, [China Military Online](#), July 13, 2023.

¹⁰³ Ibid.

concerns of major countries".¹⁰⁴ The East Asian states were urged to strengthen their guard against the "great external threat" posed by the US.¹⁰⁵

In response to US Joint Chiefs of Staff Chairman Gen. Mark Milley's remarks that China intends to be a "regional hegemon in Asia within 10 years" and "surpass the global US military power by mid-century", China argued that it represents Washington's "zero-sum game" mindset and "hegemonic interests".¹⁰⁶ Meanwhile, China reiterated its rejection of the 'South China Sea Arbitration Ruling' on the seventh anniversary of the decision, claiming that it violates international law, including UNCLOS, and is illegal, null, and void.¹⁰⁷

China-US tensions over Taiwan are showing no sign of abating. The Senate and House Armed Services Committees passed the 2024 US National Defence Authorization Act (NDAA), which calls for further deepening military cooperation with Taiwan.¹⁰⁸ Chinese Ministry of National Defence warned that the US "should not play with fire" as the PLA is capable and confident of crushing Taiwan independence separatist forces and their external supporters.¹⁰⁹ Chinese Ambassador to the US, Xie Feng, urged Washington to block Taiwanese Presidential candidate William Lai Ching-te's plans to transit through the US to Paraguay in August 2023.¹¹⁰ He urged the US to adhere to the one-China principle, and rejected the "Iron Curtain" or "Silicon Curtain" imposed by Washington on the world.¹¹¹ In light of the US-China tensions, the PLA has reportedly ramped up warship activities around Taiwan.¹¹² In another important development, reports indicated China's J-20 fighter jet flying with domestically developed WS-15 engines.¹¹³

Ahead of the BRICS Summit to be held in South Africa on August 22-24, 2023, Chinese Vice Foreign Minister Ma Zhaoxu addressed a virtual meeting of BRICS

¹⁰⁴ "Two stern warnings must be given to the arrogant NATO: Global Times editorial", Global Times, July 11, 2023.

¹⁰⁵ "East Asian states need to strengthen guard against 'great external threat': Global Times editorial", Global Times, July 12, 2023.

¹⁰⁶ "Defence Ministry Spokesperson's Remarks on Recent Media Queries Concerning the Military", China Military Online, July 19, 2023.

¹⁰⁷ "China neither accepts nor recognizes so-called award on South China Sea arbitration: spokesperson", China Military Online, July 13, 2023.

¹⁰⁸ "Regular Press Conference of the Ministry of National Defence on June 29", China Military Online, July 7, 2023.

¹⁰⁹ Ibid.

¹¹⁰ "China rejects 'Iron Curtain' or 'Silicon Curtain' imposed by the US upon the world, warns against 'an eye for an eye': Chinese Ambassador to the US", Global Times, July 20, 2023.

¹¹¹ Ibid.

¹¹² "PLA warship activities set new record around island of Taiwan", Global Times, July 16, 2023.

¹¹³ "China's J-20 stealth fighter flies with new engines: reports", Global Times, July 3, 2023.

Foreign Ministers.¹¹⁴ He addressed a number of issues during his remarks, including the expansion of BRICS membership, the enhancement of cooperation among emerging markets and developing countries, the establishment of a common currency, and ensuring food and energy security.¹¹⁵ At the 13th Meeting of BRICS National Security Advisers and High Representatives on National Security, Wang Yi stressed the importance of unity among countries of the Global South, establishing a sustainable security framework, putting development at the centre of the global agenda, respecting diversity of civilisations, and opposing unilateralism and hegemony.¹¹⁶ Further, he emphasised that networks (cyberspace) should not become a new battleground for the digital Iron Curtain.¹¹⁷

Technology

China's major internet companies such as Alibaba, Meituan, and Tencent received praise from Premier Li Qiang and the NDRC after months of government crackdown.¹¹⁸ Premier Li believes platform companies are critical to the economic recovery of China.¹¹⁹

American venture capital is becoming scarce for Chinese start-ups as the US tightens its technology sanctions against China.¹²⁰ Meanwhile, the People's Daily shed light on China's AI industry as Shanghai hosted World Artificial Intelligence Conference (WAIC) 2023.¹²¹

China's Manned Space Agency announced plans for a manned Lunar mission by the end of this decade.¹²² Further, Beijing-based firm 'LandSpace' reportedly launched world's first methane-fuelled space rocket.¹²³

¹¹⁴ "China to promote membership expansion process, cooperation among emerging markets with BRICS members during upcoming summit: vice FM", Global Times, July 21, 2023.

¹¹⁵ Ibid.

¹¹⁶ "Wang Yi calls for unity and cooperation among countries of the Global South", Global Times, July 26, 2023.

¹¹⁷ "Networks should not be a new battlefield for digital iron curtain: senior Chinese diplomat", Global Times, July 25, 2023.

¹¹⁸ "Alibaba, Tencent, and Meituan praised by Beijing for helping China's tech progress in new sign of attitude change", South China Morning Post, July 12, 2023.

¹¹⁹ "Key growth role seen for platform firms", People's Daily, July 13, 2023.

¹²⁰ "US dollars evaporate for Chinese start-ups", SCMP Inside China Tech Newsletter, July 22, 2023.

¹²¹ "China's AI industry achieves fruitful outcomes", People's Daily, July 12, 2023.

¹²² "Nation unveils plan on crewed moon mission", China Daily, July 13, 2023.

¹²³ "China launches world's first methane-fuelled space rocket", Al Jazeera, July 12, 2023.



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