ABOUT US

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DPG China Monitor

DPG China Monitor is compiled by our research team from open source Chinese media. Your comments and feedback can be addressed to Antara Ghosal Singh at antara@dpg.org.in

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US Treasury Secretary Steven Mnuchin, Chinese Vice Premier Liu He and US Trade Representative Robert Lighthizer pose for a photo before holding the 12th round of trade talks in Shanghai, on July 29, 2019. Source: Global Times, http://www.globaltimes.cn/content/1159917.shtml


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Abstract

Taiwan, Hong Kong and Xinjiang dominated China’s public discourse in July 2019, even as China-US relations continued to deteriorate during the month.

In Hong Kong, the mass demonstrations that were sparked by resistance to amending the Fugitive Offenders Ordinance continued, despite the HKSAR government declaring the extradition bill “dead”. Several incidents of violence were reported, where the protestors attacked the Liaison Office of the Central People’s Government in Hong Kong, defaced the national emblem and wrote anti-China slogans on the office premises. While condemning the demonstrations for being of the same nature as the Colour Revolutions instigated by the US and other Western powers in the Middle East and North Africa, the Mainland stopped short of intervening with force in Hong Kong for the time being.

China had to deal with what is considered the first concerted international challenge to its Xinjiang Policy, when a group of 22 countries presented a letter to the United Nations High Commissioner for Human Rights, condemning China’s treatment of Uighur Muslims. While asserting that “the West can no longer fool the Chinese on human rights”, China came up with a white paper on Xinjiang to prevent further “misreading, misinterpretation or confusion” about Xinjiang’s history. Meanwhile, a war of words broke out between Chinese and US diplomats over each other’s religious policies and human rights records.

Cross-Straits relations also remained tense. In an unprecedented move, Beijing issued sanctions against U.S. companies involved in the latest round of arms sales to Taiwan and criticised the Taiwanese President's “unusually long” stopover in the US, en-route her visit to Taiwan’s diplomatic allies in the Caribbean.

On China-US relations, the latest discourses within the US over the Trump administration’s China policy, which alternated between “China is not an enemy” and “Stay the Course” arguments, kept the Chinese side preoccupied. The 12th round of trade talks between China and the US resumed in Shanghai, but the talks made little progress towards ending the trade war and only added to the ongoing confusion. Within days of the conclusion of the talks, President Trump issued threats to impose a 10 per cent levy on US$300 billion of Chinese goods.
Data released in July indicated that China's growth has slumped to 6.2 per cent in the second quarter of this year, its lowest level in nearly three decades. This, together with lukewarm trade figures, where exports fell 1.3 percent in June from a year earlier and imports dropped 7.3 percent, added to economic woes. While playing down the adverse effect of the trade war on its economy, Chinese media highlighted “the silver lining of the Chinese economy's remarkable resilience given the headwinds it faces.”

China issued a white paper on national defense titled "China's National Defense in the New Era”, which aimed at addressing the “growing global cacophony over the China Threat Theory.”

Internally, this month marked the successful completion of the Party and State Institution Reform Process that was adopted at the Third Plenary session of the 19th CPC Central Committee held in February 2018. This was said to be the largest reform drive in the past four decades in terms of its scale, which overhauled numerous Party and state institutions, including the National Supervisory Commission, the National Health Commission, the National Immigration Administration and the Ministry of Veterans Affairs, thereby helping the government to meet new or changing needs of the Chinese society.

Meanwhile, China-India relations remained somewhat strained this month over issues like China’s objection to the 14th Dalai Lama’s Birthday celebrations, its ultimatum to India on the question of the reincarnation of the 15th Dalai Lama and China’s support for third party mediation in the Kashmir dispute.
1. Foreign and Security Policy

China-US Relations

US Treasury Secretary Steven Mnuchin, Chinese Vice Premier Liu He and US Trade Representative Robert Lighthizer pose for a photo before holding the 12th round of trade talks in Shanghai, on July 29, 2019. Source: Global Times, http://www.globaltimes.cn/content/1159917.shtml

China-US Trade Negotiations, which had been stalled since May 2019, finally resumed this month with two days of high-level talks in Shanghai from July 29-30. While welcoming the resumption of the talks, the Chinese side acknowledged that the two countries faced an arduous task in further negotiations, given the huge differences that have crept into their respective positions.

In the run up to the 12th round of trade talks, a range of issues from technology to ideology, human rights, Hong Kong, Taiwan, and Xinjiang emerged as potential flash points for US-China relations, and tensions between the two sides rose. Particularly, the new round of debates within the US over the Trump administration’s China policy, where both sides of the aisle expressed their views through open letters to US President Donald Trump, took the Chinese strategic circles by storm. An open letter titled “China is not an enemy” was published in the Washington Post on July 3, which was followed by yet another open letter addressed to President Trump, published by the Journal of Political
Risk on July 18, urging him to “stay the course” on China. Although the Chinese side interpreted this as a sign of the lack of a single Washington consensus endorsing an overall adversarial stance towards China, they were particularly disturbed by “Washington’s new ideological fusillade against China with the Communist Party of China in the cross hairs”. The Chinese strategic community strongly criticized the “hawks” in the US policymaking circles who are advocating the return to the ideological dichotomy and anti-communist hysteria of the Cold War days, which they claimed will not only ruin 40 years of friendly interactions between Beijing and Washington, but also have a disastrous impact on global stability and prosperity. 1

Meanwhile, the Fedex episode, where the company has been accused of misdirecting Huawei’s packages to the United States 2, and the Google controversy over the technology giant having been infiltrated by Chinese intelligence, further added to China-US trust deficit 3.

In this backdrop, there were reports of China resuming purchases of US agricultural products and considering exemption of tariffs imposed on these products as a “goodwill gesture” towards the US, so as to begin the trade talks on a positive note. Calling the trade consultations “a crucial step forward”, Xinhua later reported that the two sides had conducted “frank, efficient and constructive in-depth exchanges on major issues of common concern in the economic and trade field” and have agreed to hold the next round of high-level economic and trade consultations in September in the United States. However, in a new twist to the tale, a day after the conclusion of the high-level trade talks, President Trump tweeted that he would impose a 10 per cent levy on US$300 billion worth of Chinese goods as China has failed to live up to its promise of purchasing “large quantities” of US agricultural products or stopping the exports of fentanyl, the drug blamed for thousands of deaths in the US. Following this, China’s state media expressed pessimism over whether China-US trade talks should continue, particularly after Donald Trump’s “destructive” tariff threats.

A Global Times article stated that China welcomes outside pressure to provide motivation for promoting domestic reforms and opening up, but it will not

1 ‘US aggression will not only hit bilateral ties, but damage global stability’, Global Times, July 24, 2019, http://www.globaltimes.cn/content/1159065.shtml
allow external forces to sabotage China’s economic system4. “If Washington continues to put pressure on China, the chance of reaching an agreement acceptable to either side might be missed. Washington must not think that it is the sole agenda-setter and can unilaterally set the conditions for a deal,” the article stressed, while adding “China never seeks to be the leader of the world, but it will also never be a vassal of the US, neither will it desist from developing further just because others are insecure about its success”.

**China-UK Relations**

As the UK welcomed its new Prime Minister Boris Johnson, there was much debate in Chinese strategic circles about whether the China-UK golden era, launched in 2015, has already ended. It was observed that despite its verbal promises, the UK government is backtracking on UK-China relations, given its reluctance to use Chinese 5G technology and its remarks on Hong Kong. A strongly worded commentary in the Global Times mentioned that “Owing to the reconfiguration of the world system, including unpredictable trade conflict between great powers and regional chaos, China is reshaping its strategies with the Western world, where Britain can easily lose ‘China’s best partner in the West’ tag to other European countries like Germany, France, and the Netherlands5.

**China-India Relations**

As the Dalai Lama celebrated his 84th birthday on July 6, the contentious issue of selection of his successor was once again raked up by the Chinese side. Clarifying China’s stance on the issue, some senior Chinese officials and experts were quoted as saying that the reincarnation of the Dalai Lama must be approved by the Chinese government and the selection should take place within the country based on the over 200-year old historical process. They further warned that “If India tries to interfere in the issue, it will impact bilateral ties.”

There were also reports in the Indian press of protests conducted by Chinese soldiers in the Demchok sector, close to the Line of Actual Control in the eastern Ladakh region, against the Dalai Lama’s birthday celebrations by local Tibetans. The Chinese media, however, down played these incidents, while only highlighting that the influence of the 14th Dalai Lama is fast ebbing, as

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5 With Johnson at helm, will China-UK ties turn?”, Global Times, July 28, 2019, [http://www.globaltimes.cn/content/1159456.shtml](http://www.globaltimes.cn/content/1159456.shtml)
people in Tibet now enjoy more freedom, prosperity and stability under the Chinese Communist Party.\(^6\)

Other than that, US President Donald Trump’s offer on July 22 to mediate between India and Pakistan on the decades-old Kashmir dispute generated much debate in China about the role of 3rd-party mediation in the Kashmir.

An article in the Chinese Press mentioned that China has always supported international mediation on the Kashmir issue, as it believes that peace and stability of South Asia is paramount to China’s own growing interest in the region. However, the article went on to mention that China will always respect India’s choice - whether to accept international mediation or not. But it will also try to encourage India to make greater efforts to break the deadlock and even use the platform of SCO to develop better ties with Pakistan.\(^7\)

On the other hand, there were also discussions on India’s “global offensive diplomacy” under Modi 2.0. According to the Chinese analysis, India’s "neighborhood first policy" is actually the true essence of the Indian version of the Indo-Pacific strategy, which is meant to consolidate its “traditional sphere of influence” in South Asia. The Indian version of the Indo-Pacific particularly focuses on India’s "strategic autonomy" and its role as "Indian Ocean manager and gatekeeper", which is different from the "Free and Open Indo-Pacific strategy" supported by the United States and Japan. However, that does not mean that India will not accede to US and Japanese demands from time to time, and seek a regional dominance together with them, mentioned a commentary by the CIIS.\(^8\)

2. Taiwan

Cross-Straits relations were in the spotlight throughout the month. In an unprecedented move, Beijing retaliated to the US State Department’s approval (July 8) of the sale of U.S. $2.2 billion worth of military equipment to Taiwan, by announcing sanctions against the U.S. companies involved in this latest round of arms sales on July 12.

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\(^7\) ‘India needs 3rd-party mediation on Kashmir conflict’, Global Times, July 29, 2018, [http://www.globaltimes.cn/content/1159629.shtml](http://www.globaltimes.cn/content/1159629.shtml)

The Chinese media lauded the move as being long overdue. This is the first time Beijing has decided to take a concrete countermeasure, other than issuing a strong protest, which is believed to be indicative of its patience fast running out. The writing is on the wall, the Chinese media argued, that China will no longer stand idly by while Washington emboldens the secessionists on the Island. "Gone are the days when only the US can impose sanctions on others but not vice versa. China today is much more capable of safeguarding its national interests and launching precise counterattacks on entities that harm China's interests and national security. The game between China and the US has become bilateral rather than unilateral", the Chinese Press highlighted.\(^9\)


It was further argued that the Chinese sanctions were not purely symbolic and will deliver favourable outcomes. The four US arms companies involved have a significant interest in the Chinese market. For example, China is the third largest market for General Dynamics, which owns the world’s largest business jet maker - Gulfstream Aerospace. Also, the aircraft rescue and fire fighting vehicles produced by Oshkosh Corporation are used in more than 60 airports in China. It was argued that the US weapons companies that have so far reaped “handsome profits” by selling outdated but overpriced equipment to Taiwan will have to pay the price from now on. This is the first time, the Chinese media inferred, that the US’ strategy vis-à-vis Taiwan seems set to be broken, as is the equilibrium among the three sides.

The arms sale episode was soon followed by Taiwan President Tsai Ing-wen’s “unusually long” stopover in the US en-route her visit to Taiwan’s diplomatic allies in the Caribbean. This drew strong opposition from Beijing, which made a “stern” representation to Washington urging it to abide by the one-China principle and the three China-US joint communiqués.

Meanwhile, with deteriorating Beijing-Taipei equations, the Taiwan Strait has been buzzing with action. Amidst rising tension over the U.S. arms sales, it was announced on July 14 that Beijing had mobilized its elite forces comprising of the army, navy, air force, rocket force, and strategic support force for a joint exercise near the Taiwan Straits\(^\text{10}\). This was followed by the United States sending a warship through the Taiwan Straits on July 24, soon after the release of China’s white paper on its national defense policy where it prioritized its commitment to Cross-Straits affairs. Beijing retaliated by holding yet another military exercise in the East China Sea and the South China Sea near Taiwan from July 25-30. Taiwan too made a statement by conducting a military drill, deploying its most advanced fighter jets and firing 117 medium and long-range missiles on July 29 and July 30\(^\text{11}\).

An infuriated Beijing urged the U.S. not to carelessly dismiss China’s stance on Taiwan as empty bluster. “If it thinks that Beijing will not deliver on this commitment, it is in for a rude awakening”, mentioned an article in the China


Daily\textsuperscript{12}. Meanwhile, Beijing’s stern message for Taiwan was that in the ‘One country, Two Systems’ arrangement, only the two-system part is open to negotiation, the one country part is non-negotiable. “What choices would Taiwan have if it gave up on the one country, two systems? Either it becomes a foreign country’s vassal state or colony, or it has to accept the only other option of One Country, One System. There is no third choice”, argued the Chinese media, adding that “With a strong Chinese mainland in place, Taiwan independence is a path that leads to nowhere”.

3. Defence

China issued a white paper on national defense titled “China’s National Defense in the New Era,” on July 23, 2019, source: Xinhua, [http://www.globaltimes.cn/content/1159097.shtml](http://www.globaltimes.cn/content/1159097.shtml)

China issued a white paper on national defense titled “China's National Defense in the New Era,” on July 23, 2019. A Xinhua report stated that this is the 10th defence white paper issued by the Chinese government since 1998 and the first comprehensive one since the 18th National Congress of the Communist Party of China in 2012\textsuperscript{13}.

\textsuperscript{12} US interference in HK, Taiwan will not pay off: China Daily editorial, China Daily, July 25, 2019, [http://www.chinadaily.com.cn/a/201907/25/WS5d399c64a310d8305640107b.html](http://www.chinadaily.com.cn/a/201907/25/WS5d399c64a310d8305640107b.html)

Discussing the purpose of the White Paper, China’s state media mentioned that the growing global “cacophony” over the ‘China Threat Theory’ has made it imperative for China to clarify its intentions, so as to avoid any dangerous misconceptions or misunderstandings, since history records a succession of rash acts by nations born of mistakes, miscalculations and misjudgments.

The key argument of the White Paper is that although China will not seek hegemony, expansion or spheres of influence, or follow the historical path taken by other great powers, marked by the use of force and war, nonetheless, as the world’s second-largest economy with extensive interests overseas, China has to maintain “reasonable and appropriate” military spending, which is further justified by the more complex peripheral security environment and the increasing international responsibilities that China has to shoulder.

The White Paper devoted a separate paragraph to the Island of Taiwan, highlighting that reunification is China’s core national interest and that the PLA will be ready to go to war if any individual, organization or country dares to try to split Taiwan from the motherland.

One Global Times article argued that China’s effort to come up with a defence white paper deserves encouragement, not mockery. It is China’s response to the request from the international community to improve its military transparency. It demonstrates China’s goodwill to the outside world and reinforces the PLA’s role as a staunch vanguard for national sovereignty and a strong advocate of world peace and development.¹⁴

4. Economy

As per figures released by the National Bureau of Statistics on July 12, China’s growth slumped to 6.2 per cent in the second quarter of this year, its lowest level in nearly three decades. This, together with weak trade data, where exports fell 1.3 percent in June from a year earlier and imports dropped 7.3 percent, generated much debate on how badly the Chinese economy is being hit by Trump’s tariffs.

On a defensive note, China’s state media played down the numbers and highlighted the narrative that the country’s economic performance is well within a reasonable range and an above 6 percent growth rate is a figure most major world economies can only crave for. They further argued the slowing of

¹⁴ China’s military strong but defensive, Global Times, July 24, 2019, http://www.globaltimes.cn/content/1159097.shtml
economic growth rates is not a direct fall-out of the trade war but a natural reaction to national economic restructuring and continued upgrades. Despite the slowdown, they stressed, the quality of the growth continues to rise and the Chinese people's lives have been improving significantly.

Rather than focusing on the difficulties, the Chinese press high-lighted the need to see “the silver lining of the Chinese economy’s remarkable resilience given the headwinds it faces”. For example, retail sales, a major gauge of consumption, surged 9.8 percent, much higher than the expected 8.5 percent and also the highest since March 2018. Other strong data indicators, such as a 6.3-percent increase in industrial output and a 5.8-percent rise in January-June fixed asset investment, they argued, indicate that the fundamentals for steady growth of the Chinese economy remain unchanged and that the government still has ample room for policy manoeuvres. While referring to the resilience of the Chinese economy, a Global Times article even warned that “China’s trade war attrition stamina should not be underestimated”15.

Interestingly, despite the usual defensive stance, many Chinese strategists mulled over the question “if it is still possible for China to achieve a higher economic growth rate by exploring innovative measures”. In this regard, there was much discussion in the Chinese press regarding the prospects of the "nighttime economy" (business activities between 6 pm and 6 am in the service sector). Real estate governance was also indicated as yet another key area for reform. All in all, they argued that China still has enormous economic potential and much remains to be done in unleashing this.

Meanwhile, the Chinese strategic community was exhilarated over the news that for the first time since the debut of the Fortune Global 500 list in 1990, and probably for the first time since World War II, a country other than the United States has the most companies on the list. This year, the US had 121 companies on the list, while China, the world’s second-largest economy, had 129, which prompted the magazine to claim “it is China’s world”. Six of the top 10 companies with the fastest growth this year were from China, including Alibaba Group Holdings, Tencent Holdings and Suning.com, among others.

A China Daily editorial, while celebrating China’s success story, cautioned that there is no room for complacency as the list also reveals unhealthy parts of China’s economy. It mentioned that there are 11 Chinese banks on the list with total profits of more than $200 billion, contributing almost half of the profits of all listed companies from China. Also, all five real estate companies that make

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15 US remains oblivious to China’s trade war attrition stamina’, Global Times, July 16, 2019, [http://www.globaltimes.cn/content/1158005.shtml](http://www.globaltimes.cn/content/1158005.shtml)
it to the list are from China, indicating it will still take some time before the country can wean itself off the property market for growth momentum\textsuperscript{16}.

However, among the positive trends, it was highlighted that many technology companies from China had made it to the list. Among the seven listed companies related to the internet, four were from China — Alibaba, Tencent, JD.com and Xiaomi. Furthermore, Huawei, despite being caught up in controversies, rose in the Fortune 500 list to 61 from 72 last year, with a 22-percent year-on-year increase in sales volume and 27.5-percent growth in profits. This, the commentary inferred, demonstrates that the upgrading of the Chinese economy, by relying more on technological innovation in such fields as artificial intelligence, robotics, autonomous vehicles, and with huge R&D spending, is well under way. The trade war with the US is only providing greater incentive to accelerate it.

Summarizing the current economic trends in China, a Qiushi article concluded that with maturing of the Chinese economy and its increasing interactions with the world, uncertainties and troubles are inevitable. But with clear direction, the world can count on China to be a responsible mainstay for sustained growth for many years to come\textsuperscript{17}.

5. Internal Security

\textit{Hong Kong}

The month that was meant to commemorate the 22nd anniversary of Hong Kong’s founding as a special administrative region of the People’s Republic of China on July 1, 1997, witnessed one of the most severe anti-PRC demonstrations in Hong Kong’s history. These mass demonstrations that were sparked by resistance to amending the Fugitive Offenders Ordinance continued, despite the HKSAR government declaring the extradition bill “dead”. Several incidents of violence were reported where the protestors attacked the Liaison Office of the Central People’s Government in Hong Kong, defaced the national emblem and wrote anti-China slogans on the Office’s premises.

\textsuperscript{16} ‘Fortune 500 shows more than numbers China Daily editorial’, China Daily, July 23, 2019, \url{http://www.chinadaily.com.cn/a/201907/23/WS5d37276ea310d8309640098e.html}

\textsuperscript{17} ‘Navigating headwinds, China remains anchor for world economy’, July 16, 2019, \url{http://english.qstheory.cn/2019-07/16/c_1124758285.htm}

Chinese media lamented that what is happening in Hong Kong is no longer the airing of real or imagined grievances. Rather it is of the same nature as the colour revolutions that were instigated in the Middle East and North Africa, where local anti-government elements colluding with external forces strove to topple existing governments utilizing modern communications technology to spread rumors, distrust and fear

China’s state media debated upon the questions like “Should Beijing intervene forcefully in Hong Kong” and “Should PLA Hong Kong Garrison take to streets to maintain order at the request of the SAR government?” It was observed that it is still not the right time for any kind of strong intervention on the part of the mainland. Rather, it should support the SAR government so that it can perform its duties in accordance with the law, especially helping the SAR government to gain confidence and lend confidence to pro-Beijing forces in the city

It was argued that for now, the Mainland should embrace a wait and watch strategy. It was hoped that when mounting chaos threatens the city’s status as a financial centre, when Hong Kong’s economy and people’s living standards deteriorate, Hong Kongers will wake up to the truth and begin to reverse the

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19 ‘Should Beijing intervene forcefully in Hong Kong?’, Global Times, July 25, 2019, http://www.globaltimes.cn/content/1159256.shtml
trend. The Chinese mainland needs to be patient as “riots don’t have any political future. Hong Kong’s deep-seated problems can only be solved through development.”

**Xinjiang**

The issue of Human Rights troubled China through the month. In a first concerted international challenge to China’s Xinjiang Policy, a group of 22 countries presented a letter to the United Nations High Commissioner for Human Rights on July 10, condemning China’s treatment of Uyghur and other minority ethnic groups in the Xinjiang Uyghur autonomous region.

China retaliated by getting 50 ambassadors to the UN at Geneva (UNOG) to sign a letter written to the president of the UN Human Rights Council (HRC) and the Office of UN High Commissioner for Human Rights (OHCHR) to voice their support for China’s Xinjiang policy.

Chinese media hailed the move, stating that in the sphere of human rights affairs where the Western voices are dominant, the “silent majority” had finally voiced its opinion. It was argued that the collective letter had brought down the West from the position of so-called “human rights adjudicator” and will mark a turning point for developing countries to regain their voice over human rights issues.

Meanwhile, to prevent misreading, misinterpretation or confusion about Xinjiang’s history, China came up with a white paper concerning Xinjiang on July 21. The white paper stressed that ‘never in history has Xinjiang been referred to as ‘East Turkistan’ and there has never been any state known as East Turkistan. As such, people in the West have no reason to call Xinjiang as Eastern Turkistan, suggesting the region used to be part of the Turkic Khaganate. There is no reason either for the Uyghurs to believe they are the descendants of Turks, which secessionist forces use to justify their claim to an independent Eastern Turkistan.”

On the other hand, China took serious offence at US Vice President Mike Pence’s remarks on China’s role in “oppressing religion” during a Ministerial

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20 ‘HK opposition should not misjudge situation’, Global Times, July 29, 2019, [http://www.globaltimes.cn/content/1159636.shtml](http://www.globaltimes.cn/content/1159636.shtml)


meeting to Advance Religious Freedom on July 18, which was soon followed by US Secretary of State Mike Pompeo’s attack on China’s governance in Xinjiang, calling it the “stain of the century.”

The exchange led to a full-fledged war of words between Chinese and US diplomats, marked by harsh criticisms and personal attacks. The Chinese side argued that China will no longer stay silent in the face of groundless accusations from the US and the West and will not let them abuse their “discourse hegemony” to spread fabricated charges against China to the world.

6. Chinese Communist Party

In the affairs of the Chinese Communist Party, the important development this month was the successful completion of the Party and State Institution Reform Process that was adopted at the third plenary session of the 19th CPC Central Committee held in February 2018. With over 80 central and state organs and affiliated units involved, the reform is considered the largest of its kind in the past four decades, in terms of its scale. It was reported that after more than a year of implementing the reform plan, China has efficiently overhauled numerous Party and State institutions, including inaugurating, merging and restructuring multiple ministries and government agencies. As a part of this reform drive, many new agencies, including the National Supervisory Commission, the National Health Commission, the National Immigration Administration and the Ministry of Veterans Affairs, were formed to meet new or changing needs of the people. Now, with the reshaped Party and State Institutions, it is believed that there are better institutional guarantees to China’s overall reform and that the country’s endeavour to achieve its two centenary goals has a more solid footing.

23 Western pride and prejudice must stop, Global Times, July 17, 2019, http://www.globaltimes.cn/content/1158237.shtml
