



# Delhi Policy Group

Advancing India's Rise as a Leading Power



## DPG China Monitor

July 2022



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Delhi Policy Group  
Core 5A, 1st Floor, India Habitat Centre, Lodhi Road, New Delhi- 110003  
[www.delhipolicygroup.org](http://www.delhipolicygroup.org)



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### ABOUT US

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### DPG China Monitor

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

### Cover Photograph:

*India's External Affairs Minister Dr. S. Jaishankar meets Chinese Foreign Minister Wang Yi on the sidelines of G20 Foreign Ministers meeting in Indonesia, July 7, 2022.*

*Source: Twitter/@DrSJaishankar*

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## Abstract

The 16<sup>th</sup> round of Corps Commander level talks between India and China held on July 17 made little headway in resolving the outstanding border issues, including any forward movement in the disengagement process. The PLA, in a provocative show of force, tested an advanced Multiple Launch Rocket System (PHL-16 MLRS) that has a potential range of 500 Kms at an altitude of more than 5,300 metres close to the Indian border, with the capability of hitting critical Indian military bases. Meanwhile, reports indicated that China is planning to build a new highway titled G695 close to disputed border areas, running from Lhunze county in Tibet to Mazha county in Xinjiang. This highway, which runs close to border areas with India, is part of Beijing's efforts to further strengthen its border posture.

India's External Affairs Minister Dr. S Jaishankar and Chinese Foreign Minister Wang Yi met on the sidelines of the G20 Foreign Ministers' meeting in Indonesia on July 7. Dr. Jaishankar underscored the primacy of mutual respect, mutual sensitivity and mutual interests in taking the bilateral relationship forward.

China's plans to send a research ship under the command of PLA Support Forces to Hambantota port for survey of the North-western Indian Ocean has stoked concerns in India. Beijing has long been known for using its research vessels for collecting hydrographic data for maritime surveillance, submarine operations and intelligence, across the South and East China Seas. Hambantota port remains a strategic outpost in the Bay of Bengal and is fundamental to the security of the Sea Lines of Communication in the Indian Ocean region.

China denied any role played by its "opaque loan deals" in perpetuating Sri Lanka's economic crisis. Rather, it blamed US policies for the current crisis and claimed that China's investments have boosted Sri Lanka's economic development. Meanwhile, Pakistan and China decided to welcome "interested" third countries joining the China-Pakistan Economic Corridor (CPEC), disregarding India's strategic concerns, on grounds of the BRI being "an open and inclusive platform" for mutually beneficial cooperation.

Reacting to US House of Representatives Speaker Nancy Pelosi's planned visit to Taiwan, China's Ministry of National Defence warned that if the US insists on arranging such a visit, the "PLA will not sit idle" and "will certainly take strong and resolute measures to defend China's sovereignty and territorial integrity". Amidst soaring tensions over Taiwan, Chinese President Xi Jinping and US President Joe Biden held virtual talks on July 27. President Xi

underlined that “China firmly opposes separatist moves toward Taiwan independence” and interference by external forces, and will never allow any room for “Taiwan independence forces in whatever form”. Russia also reiterated its support for one-China policy while warning the US against any “provocative steps” that could exacerbate tensions in Taiwan straits.

Amidst the increased US Naval activity in the South China Sea that included deployment of the USS Ronald Reagan carrier strike group, as also the US-led RIMPAC 2022 exercise and the deployment of B2 Spirit stealth bombers in Australia, a Global Times editorial contended that the “Asia-Pacific region is slipping from a model of world peace to an increasingly apparent security dilemma”. “To safeguard security, Asia-Pacific nations must guard against the giant infant US”, the paper added. Meanwhile, a People’s Daily editorial rejected NATO’s new strategic concept that described China as posing a “systemic challenge” to the military blocs “interests, security, and values”. Rather, it labelled “NATO as a systemic challenge to global peace and stability”.

China’s MFA expressed strong dissatisfaction with elements of Japan’s 2022 Defence White Paper. It raised concerns about “Japan deviating from the path of a pacifist and exclusively defence-oriented strategy” and called upon Tokyo to “stop hyping security threats to justify its military build-up”.

Europe’s concerns over China’s deteriorating human rights record, global ambitions, tit for tat sanctions and the Ukraine crisis has pushed China-European Union relationship to its lowest point.

President Xi Jinping addressed a gathering marking the 25<sup>th</sup> anniversary of Hong Kong’s return to China on July 1. He underscored the success of “one country, two systems” in HKSAR and hailed the “true democracy enjoyed by people of Hong Kong after its return to the motherland”.

Owing to repeated COVID-19 lockdowns and global uncertainties, China’s economy grew by a mere 0.4 percent year-on-year in the second quarter of 2022, down from the 4.8 percent growth seen in the first quarter. The International Monetary Fund (IMF) in its ‘World Economic Outlook’ forecast China’s economy to grow by 3.3 percent in 2022, down from 4.4 percent it had estimated in April. The CPC’s Politburo also indicated that the country was likely to miss the annual growth target of 5.5 percent. Adding to China’s economic woes, depositors from across the country protested in-front of the Zhengzhou sub-branch of the People’s Bank of China in Henan wanting to recover millions of Yuan frozen in rural banks.

China's State Council approved the establishment of an inter-ministerial system to better coordinate development of the digital economy. The joint conference system will be led by the 'National Development and Reform Commission' (NDRC), China's top economic planner, and will consist of officials from 20 government departments.

## Foreign and Security Policy

### I. China-India Relations

After a gap of four months, the 16<sup>th</sup> round of the Corps Commander level talks was held on July 17. The meeting made little headway in resolving the outstanding issues, including move forward in the disengagement process.<sup>1</sup> As per a Ministry of External Affairs statement, the two sides agreed to continue discussions for the [resolution of the issues](#) along the LAC at the earliest, maintaining that the resolution of the remaining issues would enable progress in bilateral relations.<sup>2</sup> In a differing narrative, the statement released by [China's Ministry of Defence](#) mentioned that both sides have reached a four-point consensus: "First, adhering to the political guidance and earnestly implementing the important consensus reached by the leaders of the two countries; second, focusing on the overall situation and maintaining the resumption momentum of bilateral relations; third, effectively managing and controlling differences, and safeguarding the security and stability in border areas until the issue is solved; fourth, maintaining communication and dialogue, and reaching a mutually acceptable solution as soon as possible."<sup>3</sup>

Amidst the military commanders talks, the PLA, in a provocative show of force, tested an advanced [Multiple Launch Rocket System](#) (PHL-16 MLRS) with a range of 500 Kms, close to the Indian border with the potential to target critical Indian military bases. China plans to deploy the PHL-16 MLRS along the LAC. Additionally, Chinese state media released a video of a military exercise carried out by Chinese PLA hours after the conclusion of the 16th round of Corps Commander-level talks.<sup>4</sup>

Meanwhile, reports indicate that China is planning to build [a new highway G695](#), running from Lhunze county in Tibet to Mazha county in Xinjiang.<sup>5</sup> This highway will run close to border areas and help in rapid mobilisation of forces. It is part of Beijing's efforts to further strengthen its posture along the disputed LAC.

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<sup>1</sup> "Joint Press Release of the 16th Round of India-China Corps Commander Level Meeting," [Ministry of External Affairs](#), July 18, 2022

<sup>2</sup> Ibid.

<sup>3</sup> "Four consensuses reached in 16th China-India Corps Commander Level Meeting: Defense Spokesperson," [China Military](#), July 28, 2022

<sup>4</sup> "China tests PHL-16 Multiple Launch Rocket System near Indian border along LAC," [The Print](#), July 22, 2022

<sup>5</sup> "China continues its aggression! Plans to build G695 highway through Aksai-Chin," [Financial Express](#), July 26, 2022

The Corps Commander talks were preceded by Foreign Ministers Dr. S. Jaishankar and Wang Yi meeting on the sidelines of the [G20 Foreign Ministers' meeting](#) in Bali on July 7.<sup>6</sup> While reiterating the call for an “early resolution” of the remaining friction points in eastern Ladakh, Dr. Jaishankar underscored the primacy of mutual respect, mutual sensitivity and mutual interests in taking ahead the bilateral relationship. He also stressed the need to expedite the process for facilitating an early return of Indian students to China.<sup>7</sup>



India's External Affairs Minister Dr. S. Jaishankar meets Chinese Foreign Minister Wang Yi on the sidelines of G20 Foreign Ministers meeting in Indonesia, July 7, 2022.

Source: [Twitter/@DrSJaishankar](https://twitter.com/DrSJaishankar)

In the backdrop of the current state of India-China ties, Chinese commentaries emphasised four aspects of bilateral relations: (i) notwithstanding the outstanding disputes, [India and China should cultivate](#) ties in other sectors<sup>8</sup>; (ii) the relationship between the two countries should never be mired by a state of “strategic drift,” both should control differences, focus on the consensus and

<sup>6</sup> “India-China ties: EAM S Jaishankar, Wang Yi meet, but no progress on LAC,” [The Tribune](#), July 8, 2022

<sup>7</sup> Ibid.

<sup>8</sup> “China-India ties: Need to focus on commonalities,” [CGTN](#), July 20, 2022



common interests<sup>9</sup>; (iii) both sides need to resolve the border dispute as soon as possible<sup>10</sup>; and (iv) India and the US are both using each other to pressure China, which is “a cheap act”.<sup>11</sup>

## II. China-South Asia Relations

Ranil Wickremesinghe took over the Sri Lankan presidency amidst an economic crisis, political instability, and food and fuel shortages. China's role exacerbating the crisis and simultaneously its absence in supporting Sri Lanka during the crisis has drawn considerable national and global attention.

Amidst mounting criticism of China's role, there were media reports of China possibly extending an aid package [of \\$4 billion](#) to Sri Lanka.<sup>12</sup> Meanwhile, China has denied any role of its “[opaque loan deals](#)” in perpetuating Sri Lanka's economic crisis. In a statement, the Chinese foreign ministry spokesperson claimed that China's massive investments have instead boosted Colombo's economic development.<sup>13</sup> Further, Chinese MFA blamed US policies, including interest rate hikes, unilateral sanctions, and massive stimulus policies, for the ongoing economic crisis in Sri Lanka.<sup>14</sup>

Meanwhile, China's plans to send a research ship belonging to PLA Support Forces to [Hambantota port](#) for survey of the North-western part of the Indian Ocean has stoked concerns in India. Beijing has long been known for using its research ships for collecting hydrographic data for submarine operations and intelligence, across the South and East China Seas.<sup>15</sup> Hambantota port remains a Chinese strategic outpost in the Bay of Bengal and can play a key role in the security of the Sea Lines of Communication in the Indian Ocean region.

Like Sri Lanka, Pakistan too is facing a deepening economic crisis. Despite the crisis, China is expanding its influence in Pakistan. Reportedly, the [Chinese are planning to relocate](#) their labour-intensive industries like textiles to Pakistan, taking advantage of reduced production costs. It would also benefit China to remove the “Made in China” label from many products to win back US markets.

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<sup>9</sup> “India should work with China to solve bilateral difficulties amid recent positive signals: experts,” [Global Times](#), July 28, 2022

<sup>10</sup> “India should work with China to solve bilateral difficulties amid recent positive signals: experts,” [Global Times](#), July 28, 2022

<sup>11</sup> “It's not in India's interest to be a US outpost,” [Global Times](#), July 19, 2022

<sup>12</sup> “Sri Lanka hopes for \$4bn in China aid ‘soon’ as envoy defends ties,” [Nikkei Asia](#), July 28, 2022

<sup>13</sup> “China denies its loans, projects caused Sri Lanka crisis,” [The Times of India](#), July 29, 2022

<sup>14</sup> “China denies its loans, projects caused Sri Lanka crisis,” [The Times of India](#), July 29, 2022

<sup>15</sup> “India on alert as China plans to send ‘research ship’ to Sri Lanka port,” [Deccan Herald](#), July 29, 2022

However, the regulatory framework of Pakistan remains a hurdle in relocating Chinese industries to Pakistan, apart from a deteriorating law and order situation. As a result, Cambodia, Laos and Ethiopia are emerging as preferred destinations despite higher production costs.<sup>16</sup>

During the month, China and Pakistan conducted a [four day naval exercise](#) off the coast of Shanghai aimed at jointly dealing with maritime security threats and boosting naval cooperation.<sup>17</sup>



China-Pakistan held joint naval exercise "Sea Guardians - 2" in Shanghai, July 10, 2022.

Source: [China Military Online](#)

On the [BRI front](#), China is juggling between a weak economy, political uncertainty, and both low and high intensity security threats in Pakistan. Despite this, China continues to invest, promoting the narrative of an expanding BRI footprint in the country. To highlight the many uncertainties mirroring the BRI projects, China is slated to organise an extensive workshop from August 3 for government officials, scholars and businessmen.<sup>18</sup> Meanwhile, Pakistan and China have decided to welcome ["interested" third countries](#) joining the China-Pakistan Economic Corridor (CPEC), disregarding India's

<sup>16</sup> "Chinese industries to relocate to Pakistan amid reduced production cost," [The Print](#), July 10, 2022

<sup>17</sup> "China, Pakistan begin war games off Shanghai," [The Hindu](#), July 10, 2022

<sup>18</sup> "China to organize extensive course on BRI for Pakistan," [Radio Pakistan](#), July 31, 2022

strategic concerns, on grounds of the BRI being "an open and inclusive platform" for mutually beneficial cooperation.<sup>19</sup>

Taking the third country plan forward, Chinese Foreign Minister Wang Yi offered to support the extension of the China-Pakistan Economic Corridor (CPEC) to Afghanistan. Beijing is ready to support the implementation of Afghanistan's transportation projects, including extension of a railway line connecting Mazar-i-Sharif to the capital Kabul and onward to Peshawar, creating a pan Central Asia – Afghanistan – Pakistan rail connectivity.<sup>20</sup>

Thus far, underlying concerns pertaining to political volatility and violence has kept Chinese ambition ambivalent with regard to the quantum and scope of a proactive involvement in Afghanistan.

The separatist Uyghur [East Turkestan Islamic Movement \(ETIM\)](#) that China blames for terror attacks in its far-western region of Xinjiang remains a cause of concern for China in Afghanistan.<sup>21</sup> A UN report claims that ETIM has reportedly rebuilt several strongholds in Badakhshan, northeast Afghanistan, and "expanded its area of operations and covertly purchased weapons, with the aim of improving its capabilities for terrorist activities". The Taliban have made no effort to expel ETIM militants from Afghanistan despite pressure from China.<sup>22</sup>

In other developments in South Asia, in the wake of the disastrous floods in northeast Bangladesh which have displaced nearly 4 million people so far, China has extended relief operations and support to the flood victims. With regards to trade, China has expressed concerns over US Customs and Border Protection enforcement of the [Uighur Forced Labor Prevention Act \(UFLPA\)](#) that prevents Bangladesh Garments Buying Associations (BGBA) from importing fabrics from specific Xinjiang entities presumed to be using forced labour for garment making.<sup>23</sup> Chinese FM Wang Yi is slated to visit Bangladesh in August for mutual consultations.<sup>24</sup>

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<sup>19</sup> "Pakistan, China welcome 'interested' third countries joining CPEC," [Hindustan Times](#), July 23, 2022

<sup>20</sup> Ibid.

<sup>21</sup> "Uyghur separatist group rebuilds bases in Afghanistan even as China-Taliban ties grow," [South China Morning Post](#), July 28, 2022

<sup>22</sup> Ibid.

<sup>23</sup> "China warns Bangladesh over US 'lies' on Xinjiang forced labour," [Dhaka Tribune](#), July 6, 2022

<sup>24</sup> "Chinese foreign minister likely to visit Dhaka next month," [The Daily Star](#), July 29, 2022

Following reports of [Chinese encroachment](#) in Nepalese territory, both countries have agreed to carry out a joint inspection of the border alignment through mutual consultations. This comes after a committee formed by Nepal's Ministry of Home Affairs came up with a report highlighting the issue of Chinese intrusions in Humla district. The report was commissioned last September following claims that China has been trespassing in the district located in the far west of Nepal.<sup>25</sup>

Amidst the simmering border issues, a delegation of the Chinese Communist party [visited](#) Nepal on July 13 aimed at improving relations with the Nepali Congress, Nepal's ruling party.<sup>26</sup> Beijing's outreach to the Nepali Congress (NC) stems from its realisation that the Nepali Congress will continue to be a formidable political force in the immediate future. Reacting to China's close ties with the Communist Party of Nepal, the NC General Secretary Gagan Thapa stressed that the "NC expects China to have equal relations with all Nepali parties and behave as such."<sup>27</sup>

There has been major Chinese activity along the [Bhutan – China border](#) in the Doklam Sector. Satellite images show fully a inhabited Chinese built village barely nine kilometres from Doklam plateau. The Doklam plateau, near the India-Bhutan-China tri-junction, was the location of a 74-day-long standoff between Indian and Chinese troops in 2017. Ongoing construction and an extended Chinese footprint has the potential of providing the PLA a direct line of sight to the strategic Siliguri corridor. The satellite images also reveal near completion of another village in the Amo Chu river valley adjacent to the tactically important Doklam ridge.<sup>28</sup> Amidst these reports, the Indian Chief of Army Staff visited Bhutan to take stock of the situation, engage with Bhutanese leaders, including in order to boost bilateral strategic ties and cooperation.<sup>29</sup>

### III. China-United States Relations

Tensions between China and the US have heightened after reports of US House of Representatives Speaker Nancy Pelosi's plan to visit Taiwan surfaced in the media. The reports elicited a strongly worded response from China including warnings of possible use of military force if the visit takes place. While Chinese leader Xi Jinping warned against "playing with fire" over Taiwan in a call with

<sup>25</sup> "Nepal, China to initiate bilateral mechanisms to solve border issues," [WION](#), July 15, 2022

<sup>26</sup> "What Lies Behind Chinese Delegation's Visit to Nepal?," [The Diplomat](#), July 13, 2022

<sup>27</sup> Ibid.

<sup>28</sup> "Chinese village near Doklam plateau now completely inhabited: Report," [Scroll](#), July 14, 2022

<sup>29</sup> "Army Chief meets Bhutan King in Thimphu; focus on further boosting enduring strategic ties," [The Hindu](#), July 31, 2022

US President Joe Biden, the Chinese state media called Pelosi '[eccentric](#) 'and [bigoted](#)'<sup>30</sup>, vowing to "put up a sturdy fight to the end to thwart Pelosi's visit to Taiwan, without fear of any escalation."<sup>31</sup> Before Pelosi's Asia tour, China held [live-fire drills](#) near Taiwan. It was the first live-fire drill in at least a year. The developments coincided with Taiwan's more than three-decades-old annual Han Kuang drills around Tamsui River on the island's northern coast, a strategic point that provides direct access to the centre of Taipei.<sup>32</sup>



Republic of China (Taiwan) military conducts Han Kuang 38 exercise, July 27, 2022.

Source: [Twitter/@MoNDefense](https://twitter.com/MoNDefense)

Meanwhile, upping the ante, [Chinese officials have asserted](#) that no part of the Taiwan Strait can be considered international waters, contrary to the views of the United States and other nations. A Chinese Foreign Ministry spokesman said in June that "China has sovereignty, sovereign rights and jurisdiction over the Taiwan Strait."<sup>33</sup>

Amid soaring tensions over Taiwan, Presidents Xi and Biden held virtual talks for over two hours on July 27. According to a [Chinese foreign ministry](#) read

<sup>30</sup> "The 'eccentric, bigoted' Pelosi does not care about others' thoughts, but Biden is the key in the 82-year-old's planned Taiwan trip," [Global Times](#), July 29, 2022

<sup>31</sup> "China holds live-fire drills near Taiwan as Pelosi heads to Asia. The U.S. should beware a 'high-voltage' line it 'cannot step on,' one commentator warns," [Fortune](#), July 30, 2022

<sup>32</sup> "Taiwan holds massive Han Kuang military drills as tensions with China build," [CNN](#), July 29, 2022

<sup>33</sup> "U.S. Officials Grow More Concerned About Potential Action by China on Taiwan," [The New York Times](#), July 25, 2022

out, President Xi underlined that “China firmly opposes separatist moves toward Taiwan independence and interference by external forces, and will never allow any room for Taiwan independence in whatever form”. Further, President Xi underscored that “to approach and define China-US relations in terms of strategic competition and view China as the primary rival and the most serious long-term challenge would be misperceiving China-US relations and misreading China’s development, and would mislead the people of the two countries and the international community”.<sup>34</sup> He urged “the two sides to work for de-escalation of regional hotspots, help rid the world of COVID-19 as early as possible, reduce the risk of stagflation and recession, and uphold the international system centring on the UN and the international order underpinned by international law.”<sup>35</sup> [According to a statement released by The White House](#), President Biden flagged the issue of wrongful detention of American citizens in China and US commitment to a One China Policy, opposition to unilateral changes to the status quo by either side, and commitment to the maintenance of peace and stability across the Taiwan Strait.<sup>36</sup>

US Secretary of State Antony Blinken met Chinese Foreign Minister Wang Yi on the sidelines of the [G20 Foreign Ministers Meeting in Bali](#), Indonesia. They discussed a range of contentious issues, with the main focus being on Taiwan.<sup>37</sup> According to a press release by Chinese foreign ministry, China has put forth four lists to the US side, i.e. the list of US wrongdoings that must stop, the list of key individual cases that the US must resolve, the list of Acts in the 117th Congress of high concern to China, and the list of cooperation proposals in eight areas, which the Chinese side hopes will be taken seriously by the US side.<sup>38</sup>

As concerns about Beijing's assertive behaviour in the Indo-Pacific increase, the US Navy has stepped up its military activities aimed to challenge restrictions on innocent passage imposed by Beijing in the South China Sea.<sup>39</sup> Meanwhile, Chairman of the [US Joint Chiefs of Staff Mark Milley](#) has ordered a

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<sup>34</sup> “President Xi Jinping Speaks with US President Joe Biden on the Phone,” [MFA, China](#), July 29, 2022

<sup>35</sup> Ibid.

<sup>36</sup> “Background Press Call on President Biden’s Call with President Xi Jinping of the People’s Republic of China,” [The White House](#), July 28, 2022

<sup>37</sup> “Wang Yi Holds Talks with US Secretary of State Antony Blinken,” [MFA, China](#), July 9, 2022

<sup>38</sup> Ibid.

<sup>39</sup> “US Navy stepping up activities in South China Sea, says Chinese think tank,” [South China Morning Post](#), July 23, 2022

comprehensive review of US military interactions with Chinese forces over the last five years.<sup>40</sup>

On the trade front, [China's trade with the United States](#) grew by 12.7 per cent year-on-year in the first half of 2022. Trade between the United States and China from January-June 2022 amounted to USD 383.9 billion. China's exports to the US went up 15.8 per cent and amounted to USD 292.65 billion, while US exports to China went up 3.6 per cent and amounted to USD 91.28 billion, as compared to the same period in 2021.<sup>41</sup>

#### IV. China-European Union Relations

Europe's concern over China's deteriorating human rights record, global ambitions, tit for tat sanctions, and the Ukraine crisis has pushed the relationship between the two to its lowest point. The G7 and NATO summit's pronounced stance critically viewing China indicated Europe's growing line of convergence with Washington. This in turn has diminished China's hope of possibly counterbalancing America with Europe.<sup>42</sup> During a phone call with [French President Macron](#), Foreign Minister Wang Yi urged France to help improve its ties with Europe.<sup>43</sup> Meanwhile, President [Xi Jinping's Invite to European leaders](#), including French President Macron and German Chancellor Scholz along with others for a meeting in Beijing, has so far met with silence.<sup>44</sup>

On the other hand, China's proximity with Eastern and Central European countries continues to grow. During the month, Chinese foreign ministry reached out to countries like Serbia, Hungary, and Poland to strengthen connectivity, trade, investment and strategic partnership. Despite China's deteriorating ties and coercive behaviour with countries like Lithuania, a survey conducted by the Budapest-based Central and Eastern European Centre for Asian Studies (CEECAAS) found that China generally has a positive image among the [Hungarian public](#) and most voters in the country share views on important political issues that are "favourable to Chinese standpoints."

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<sup>40</sup> "Top US general orders comprehensive review of US-China military interactions," [CNN](#), July 20, 2022

<sup>41</sup> "China's trade with Russia, US grows by double digits in 2022," [The Print](#), July 13, 2022

<sup>42</sup> "China once saw Europe as a counter to US power. Now ties are at an abysmal low," [CNN](#), July 18, 2022

<sup>43</sup> "China praises Ukraine mediator Macron as Beijing hopes to renew EU ties," [South China Morning Post](#), July 19, 2022

<sup>44</sup> "Xi Jinping's Invite to Macron, Scholz, EU Leaders for Meet in Beijing Met with No Response," [News 18](#), July 19, 2022

However, in the wake of the Ukraine crisis, statistics reveal that people are wary of China's growing partnership with Russia.<sup>45</sup>

Amidst these developments, a report in the Taipei Times emphasised that relations between Taiwan and the EU have "[gradually blossomed](#)", maintaining that Taiwan and the EU could be viewed as natural partners, given their shared commitments toward a rules-based international order and democratic principles. Taiwan has emerged as the EU's 15th largest trading partner, while the EU ranks fifth among Taiwan's top trading partners, with bilateral trade reaching US\$68.7 billion last year. Moreover, the EU has stood out as the largest foreign investor in Taiwan. During the EU-Taiwan Trade and Investment Dialogue last month, the two sides decided to deepen ties in the areas of trade, investment, supply chains, security and technology.<sup>46</sup> During a visit to Taiwan on July 19, Nicola Beer, the EU Parliament's Vice President, called the EU and Taiwan a part of the "[family of democracies](#)". "There is no room for Chinese aggression in democratic Taiwan", he added.<sup>47</sup>

The EU has opened dialogue with China to carry forward trade talks and discussions on issues like environment, global food security, and the export of fertilisers. A high-level [EU-China trade dialogue](#) on July 19 saw discussion of issues like supply chain disruptions, financial services, economic coercion, and the pandemic.<sup>48</sup> The last EU-China summit in April 2022 could not make any headway and ended on a low point.<sup>49</sup>

## V. China-Russia Relations

As China continues its tightrope walk regarding Russia's attack on Ukraine, [China and Russia rebuked NATO](#) for declaring Russia a "direct threat" to the bloc and China a "serious challenge to international order."<sup>50</sup>

Meanwhile, during the launch of a bilateral [economic dialogue](#) on July 29, the United States and Japan underlined the impact of China's coercive and retaliatory practices, as well as the impact of Russia's Ukraine crackdown on international order.<sup>51</sup> Days before the launch of the economic dialogue, [an annual report](#) was released by the Japanese defence ministry stating that the

<sup>45</sup> "New Polls Show Increased Support In Hungary For Ties With China," [RFERL](#), July 24, 2022

<sup>46</sup> "Leveraging Taiwan-EU relations," [Taipei Times](#), July 10, 2022

<sup>47</sup> "Europe must 'stand firm' with Taiwan: EU lawmaker," [The Times of India](#), July 19, 2022

<sup>48</sup> "EU-China: A stable global economy is a shared responsibility," [Europa](#), July 19, 2022

<sup>49</sup> "EU, China to cooperate on tackling global food crisis, fertilizers," [Bloomberg](#), July 19, 2022

<sup>50</sup> "Russia, China slam Nato after alliance raises alarm," [The Indian Express](#), June 30, 2022

<sup>51</sup> "U.S. and Japan launch economic dialogue to push back against China, Russia," [The Economic Times](#), July 29, 2022



increasing military cooperation between Russia and China is raising security concerns in the region.<sup>52</sup>

Amidst the brewing tensions over Taiwan, Russia offered strong support to China, warning the United States against any [“provocative steps”](#) that could exacerbate tensions.<sup>53</sup> In a statement, Russian [Foreign Minister Sergei Lavrov](#), who met his Chinese counterpart FM Wang Yi on the sidelines of the SCO meeting on July 29, reaffirmed Russia’s support for a One China policy.<sup>54</sup> A week before Lavrov’s statement, the Chinese Ambassador to the US, sharing his observations on China’s [“no limits” partnership](#) with Russia, suggested that there has been a “misunderstanding” of China-Russia relations, and highlighted that “China-Russia relationship is not an alliance.”<sup>55</sup>

On the energy security front, State-owned energy companies, [Russia’s Gazprom and China National Petroleum Corporation](#), are in the final stages of completing a pipeline that can send gas from Siberia to Shanghai.<sup>56</sup> The China-Russia pipeline comes as Moscow faces the threat of losing natural gas purchases from the European Union in the wake of the Ukraine war. Further, both China and Russia are also collaborating on nuclear power development.

## Internal Developments

### Human Rights

As the US Supreme Court ended the constitutional protection of abortion rights for women, Xinhua asserted that “the [US is backsliding on women’s rights](#), underscoring its systemic flaws”.<sup>57</sup> “The fight over abortion rights is splitting the US further down the ideological and party lines, laying bare once again America’s hypocrisy on human rights”, Xinhua added.<sup>58</sup> On US’s Independence Day, a Global Times editorial highlighted issues such as “mass shootings”, “political polarisation”, “widening gap between the rich and poor”, and “racial conflicts” and called upon the [“US to reflect on its own affairs”](#).<sup>59</sup>

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<sup>52</sup> “Japan’s defence report identifies China, Russia as top threat,” [ANI](#), July 23, 2022

<sup>53</sup> “Russia warns U.S. against ‘provocative’ moves toward China,” [The Hindu](#), July 29, 2022

<sup>54</sup> “Russia supports ‘one China’ policy on Taiwan, Lavrov says,” [Reuters](#), July 29, 2022

<sup>55</sup> “China’s ambassador tries to cast ‘no limits’ with Russia as a ‘misunderstanding’,” [Politico](#), July 20, 2022

<sup>56</sup> “This map shows the massive gas pipeline that Russia and China are building,” [CNBC](#), July 26, 2022

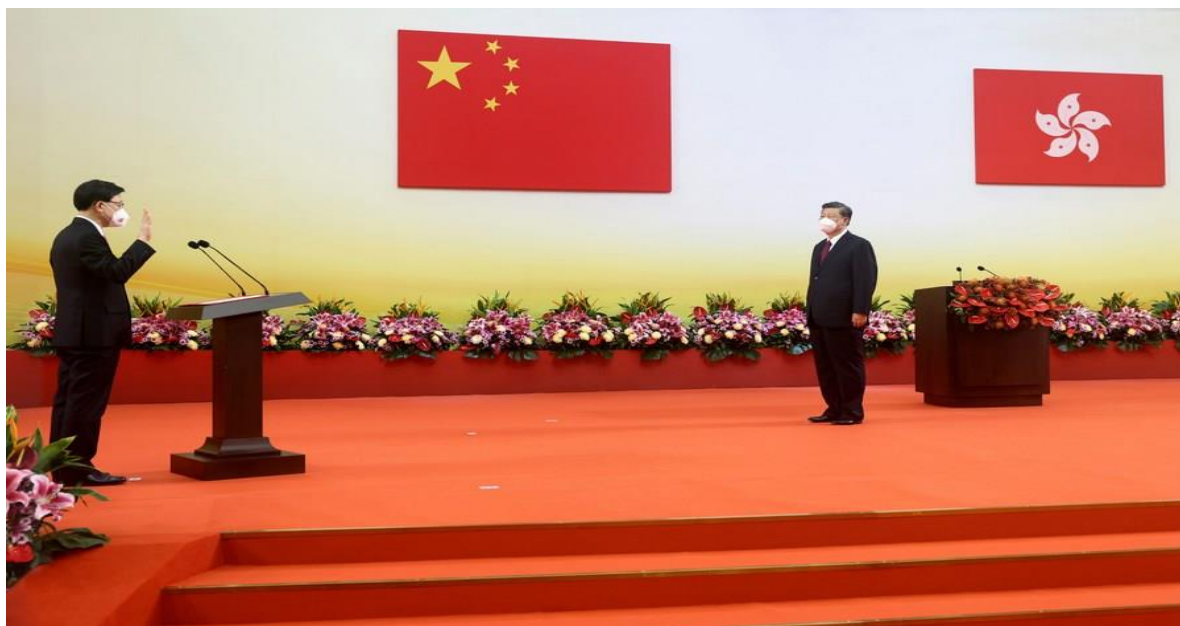
<sup>57</sup> “U.S. backsliding on women’s rights underscores systemic flaws”, [Xinhua](#), July 10, 2022.

<sup>58</sup> Ibid.

<sup>59</sup> “On July 4, US should reflect on how to mind its own affairs: Global Times editorial”, [Global Times](#), July 4, 2022.

## President Xi's Key Speeches

Ahead of the CPC's 20<sup>th</sup> National Congress, President Xi Jinping [addressed China's provincial and ministerial level officials](#) where he reviewed the CPC's governance record over the past decade and called for strengthening "risk awareness", and "preparing for the worst-case scenario", while continuing adherence to "Socialism with Chinese Characteristics" to build a modern socialist country.<sup>60</sup>



President Xi Jinping administers the oath of office to Hong Kong Special Administrative Region's (HKSAR) sixth-term Chief Executive John Lee, July 1, 2022. Source: [Xinhua/Ju Peng](#)

President Xi Jinping addressed a gathering marking the [25<sup>th</sup> anniversary of Hong Kong's return to China](#) on July 1. He underscored the success of "one country, two systems" and hailed the "true democracy enjoyed by people of Hong Kong after its return to the motherland".<sup>61</sup> A Xinhua report stressed that "HKSAR has entered a new era of prosperity, transitioning from chaos to order".<sup>62</sup> Meanwhile, as former British Prime Minister Boris Johnson claimed that "the UK was not giving up on Hong Kong", a Global Times editorial described the UK's intent as "[19<sup>th</sup>-century balderdash](#)".<sup>63</sup>

<sup>60</sup> "Xi stresses upholding socialism with Chinese characteristics to build modern socialist country", [Xinhua](#), July 27, 2022.

Also see, Cao Desheng, "Xi urges Party to strengthen risk awareness", [China Daily](#), July 28, 2022.

<sup>61</sup> "Xi confident in Hong Kong's future of feats and glory", [Xinhua](#), July 2, 2022.

<sup>62</sup> Ibid.

<sup>63</sup> "UK not giving up on Hong Kong' is 19th-century balderdash: Global Times editorial", [Global Times](#), July 2, 2022.

Amidst growing cross-strait tensions, President Xi Jinping addressed Taiwan's youth attending the ['Straits Youth Forum'](#).<sup>64</sup> He called upon the young people to "strive toward realising the Chinese dream of national rejuvenation", while assuring them that Beijing "will always create favourable conditions for Taiwan's youth to live, study, and work in the mainland".<sup>65</sup>

During his [visit to Xinjiang](#), President Xi underscored "social stability and lasting security as overarching goals" and called for "faithful implementation of the Communist Party of China's (CPC) governance policies".<sup>66</sup> The People's Daily continued its criticism of the US's Uyghur Forced Labor Prevention Act (UFLPA), which it said is "against rule of law" and is part of Washington's "[China containment strategy](#) under the guise of protecting human rights".<sup>67</sup>

## Trade and Economy

Owing to repeated COVID-19 lockdowns and global uncertainties, [China's economy grew by mere 0.4 percent](#) year-on-year in the second quarter of 2022, down from the 4.8 percent growth seen in the first quarter.<sup>68</sup> Reportedly, [youth unemployment also hit a record high](#) in June 2022.<sup>69</sup> The International Monetary Fund (IMF) in its 'World Economic Outlook' forecast [China's economy to grow by 3.3 percent](#) in 2022, down from 4.4 percent it had estimated in April. The CPC's Politburo also indicated that the country was likely to [miss annual growth target of 5.5 percent](#).<sup>70</sup> Even as concerns were expressed about China's economic slowdown, Xinhua pointed toward the country's "positive second-quarter growth", "robust foreign trade", and "consumption potential" as signs of the [Chinese economy gathering momentum](#) towards further recovery.<sup>71</sup>

<sup>64</sup> "Full text of Xi Jinping's letter to young people from Taiwan attending the Straits Youth Forum", [Qiushi Journal Website](#), July 13, 2022.

<sup>65</sup> Ibid.

<sup>66</sup> "Xi stresses implementing Party's policies on Xinjiang, highlights stability, security", [People's Daily](#), July 16, 2022.

<sup>67</sup> "So-called Uyghur Forced Labor Prevention Act of U.S. against rule of law", [People's Daily Editorial](#), July 19, 2022.

<sup>68</sup> Orange Wang, "China GDP: second-quarter economic growth plunges to 0.4 per cent, lowest in 2 years after missing expectations", [South China Morning Post](#) (SCMP), July 15, 2022.

<sup>69</sup> Luna Sun, "China jobs: youth unemployment hits record high in June – nearly 1 in 5 young people out of work", [South China Morning Post](#), July 15, 2022.

<sup>70</sup> Jonathan Cheng, "Chinese Leaders Indicate Country Is Likely to Miss Economic Growth Targets", [The Wall Street Journal](#), July 28, 2022.

<sup>71</sup> "China's economy secures positive Q2 growth, steam gathering for further recovery", [Xinhua](#), July 15, 2022.

Premier Li Keqiang, on his part, emphasised macroeconomic policy measures that would ["stabilise growth and curb inflation"](#).<sup>72</sup> To boost growth, China's State Council plans to raise CNY 300 billion (USD 44.7 billion) [supporting infrastructure projects](#), including the construction of highways, waterways, and port projects.<sup>73</sup> The People's Bank of China seeks to mobilise USD 148 billion to revive the country's [debt-ridden property sector](#).<sup>74</sup>



Protests over freezing of deposits by rural banks in Zhengzhou, Henan province, July 10, 2022.

Source: [The Japan Times](#)

Adding to China's economic woes, its banking sector is struggling as an estimated 1000 depositors from across the country protested in-front of the Zhengzhou sub-branch of the People's Bank of China in Henan to [recover millions of Yuan frozen in rural banks](#).<sup>75</sup> As the protestors called upon Premier Li Keqiang to investigate the Henan government's corruption, a group of unidentified men in white shirts attacked them. Provincial authorities pointed

<sup>72</sup> "Chinese premier stresses consolidating recovery, stabilizing economy", [Xinhua](#), July 14, 2022.

<sup>73</sup> Frank Tang, "China's Li Keqiang calls for new infrastructure push to shake off economic slowdown", [South China Morning Post](#), July 1, 2022.

<sup>74</sup> Sun Yu and Cheng Leng, "China's central bank seeks to mobilise \$148bn bailout for real estate projects", [Financial Times](#), July 28, 2022.

<sup>75</sup> Phoebe Zhang, "White-shirted group attacks protesters at China banking scandal demonstration", [South China Morning Post](#), July 11, 2022.

toward a [criminal gang led by Lu Yi](#) that used the Henan Xincaifu Group to control and manipulate several rural banks as responsible for this crisis.<sup>76</sup>

Amidst global economic uncertainty, Chinese [Vice Premier Liu He and US Secretary of the Treasury Janet Yellen](#) held a video conversation stressing the importance of strengthening macro-policy communication and coordination between the two sides.<sup>77</sup> However, a Global Times report claimed that the Liu-Yellen conversation underscores that “the US seeks China’s help to tame inflation”.<sup>78</sup> “The Biden administration wants to moderate inflation and gas prices ahead of the mid-term elections. Decreasing tariffs on Chinese goods remains an option, but Washington is uncertain as to what extent a tariff cut would help in controlling prices”, report added.<sup>79</sup>

Meanwhile, to deepen China’s cooperation with Caribbean islands, a [‘China-Caribbean Development Center’](#) was inaugurated in Jinan, capital of east China's Shandong Province.<sup>80</sup>

## Defence and Security

NATO’s new strategic concept described [China as posing “systemic challenge”](#) to the military bloc’s “interests, security, and values”.<sup>81</sup> Rejecting this contention, the People’s Daily labelled “NATO as a systemic challenge to global peace and stability”.<sup>82</sup> “NATO hyping the so-called China threat reflects its reemerging cold war mentality and it is a show staged by the US to extend military bloc’s reach to the Asia-Pacific region.”<sup>83</sup> NATO encourages confrontation and threatens global security; therefore, the international community should stay alert to it, the paper added”.<sup>84</sup> A Xinhua commentary

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<sup>76</sup> Luna Sun and Amanda Lee, “China’s cash crisis culprit named by police, said to have run powerful criminal gang since 2011”, [South China Morning Post](#), July 11, 2022.

<sup>77</sup> Yang Sheng and Xie Jun, “US seeks China's help to ease inflation in latest interaction”, [Global Times](#), July 6, 2022.

<sup>78</sup> Ibid.

<sup>79</sup> Ibid.

<sup>80</sup> “Xinhua Headlines: China, Caribbean countries deepen comprehensive cooperation”, [Xinhua](#), July 7, 2022.

<sup>81</sup> “NATO indeed “systemic challenge” against global peace, stability”, [People’s Daily Editorial](#), July 6, 2022.  
also see, “China resolutely opposes NATO’s new strategic concept document: Defense Spokesperson”, [Ministry of National Defense of the People's Republic of China](#), July 28, 2022.

<sup>82</sup> Ibid.

<sup>83</sup> Ibid.

<sup>84</sup> Ibid.

described NATO's new strategic concept as illustrating "[Washington's pursuit of hegemony](#)".<sup>85</sup>

In a joint statement, the Directors of the US's FBI and the UK's MI5 accused the Chinese government of posing the biggest long-term [threat to their country's national security and economic interests](#).<sup>86</sup> China's Ministry of Foreign Affairs rejected such assertions, stressing that they reflect a "deep-rooted cold war and zero-sum mentality".<sup>87</sup>

Amidst increased US Naval activities in the South China Sea that included deployment of the USS Ronald Reagan carrier strike group, the US-led RIMPAC 2022 exercise, and the deployment of B2 Spirit stealth bombers in Australia, a Global Times editorial contended that the "Asia-Pacific region is slipping from a model of world peace to an [increasingly apparent security dilemma](#)".<sup>88</sup> "To safeguard security, Asia-Pacific nations must guard against giant infant US", the paper added.<sup>89</sup> Another report highlighted remarks of former US Secretary of State Henry Kissinger in which he warned President Biden against "[endless confrontation with China](#)".<sup>90</sup> Chinese experts hailed talks between the Chairman of the US Joint Chiefs of Staff Gen. Mark Milley and the Chief of Staff of China's Central Military Commission-Joint Staff Department, General Li Zuocheng, as sending a "clear signal that both sides are [willing to manage risks and avoid conflicts](#), particularly war".<sup>91</sup>

China's Ministry of Foreign Affairs (MFA) expressed strong dissatisfaction at elements of [Japan's 2022 Defence White Paper](#).<sup>92</sup> Beijing raised concerns about "Japan deviating from the path of pacifist and exclusively defence-oriented strategy" and called upon Tokyo to "stop hyping security threats to justify its military build-up".<sup>93</sup> At the same time, reports pointed to the [PLA increasing its naval activities around Japan](#)<sup>94</sup>, including [Russian and Chinese warships](#)

<sup>85</sup> "Xinhua Commentary: NATO's new strategic concept exposes Washington's hegemony pursuit", [Xinhua](#), July 2, 2022.

<sup>86</sup> Wang Qingyun "Beijing slams false accusations", [China Daily](#), July 8, 2022.

<sup>87</sup> Ibid.

<sup>88</sup> "To safeguard security in the Asia-Pacific, nations must guard against 'giant infant' US : Global Times editorial", [Global Times](#), July 14, 2022.

<sup>89</sup> Ibid.

<sup>90</sup> Zhang Hui, "Kissinger warns Biden on China ties amid Washington's enhanced provocations against Beijing; consequences would be 'fatal, unbearable' for Biden", [Global Times](#), July 21, 2022.

<sup>91</sup> Jiang Chenglong, "Talks between chiefs of staff a good sign", [China Daily](#), July 9, 2022.

<sup>92</sup> "China urges Japan to stop hyping up security threats to justify its military build-up", [Xinhua](#), July 22, 2022.

<sup>93</sup> Ibid.

<sup>94</sup> Liu Xuanzun, "PLA naval activities around Japan intensify amid Tokyo provocation, to become routine", [Global Times](#), July 6, 2022.

[exercising near 'Diaoyu \(Senkaku\) Islands'](#) in the East China Sea as a "warning to Japan".<sup>95</sup>

China's Ministry of National Defence (MND) spokesperson, on the occasion of the launch ceremony of China's third aircraft carrier "Fujian", while answering a question about China possibly [building more aircraft carriers](#), stressed that Beijing will make "comprehensive considerations based on its national security needs".<sup>96</sup> "As NATO and the US continue to worsen security situation in China's neighbourhood", "the country could [have more aircraft carriers in the future](#)".<sup>97</sup>

Meanwhile, prior to the PLA's 95<sup>th</sup> anniversary (August 1), President Xi noted the "turbulence", "instability", and "uncertainty" in China's national security and called upon the armed forces to achieve their [centenary goals](#), including cultivating talent and innovation, while practicing absolute Party leadership over the military.<sup>98</sup> With regards to military modernisation, the PLA Navy has reportedly commissioned a new [Type 039 variant submarine](#) for its eastern fleet.<sup>99</sup> As the submarine was not commissioned with the usual fanfare, experts observed that the PLAN is becoming increasingly discreet about their submarines.<sup>100</sup> Meanwhile, China plans to conduct flight tests for aircraft of key "strategic and historic importance", a possible reference to the '[H-20 Stealth Bomber](#)'.<sup>101</sup>

## Technology

China's State Council approved the establishment of an inter-ministerial system to better [coordinate development of the digital economy](#).<sup>102</sup> The joint conference system will be led by the 'National Development and Reform Commission' (NDRC), China's top economic planner, and will comprise officials from 20 government departments.<sup>103</sup> A South China Morning Post

<sup>95</sup> Guo Yuandan and Liu Xuanzun, "Chinese, Russian warships approach Diaoyu Islands as Russia sends warning to Japan", [Global Times](#), July 4, 2022.

<sup>96</sup> "Regular Press Conference of the Ministry of National Defense on June 30", [Ministry of National Defense of the People's Republic of China](#), July 6, 2022.

<sup>97</sup> Liu Xuanzun and Guo Yuandan, "China's future aircraft carrier program 'depends on security needs': defense ministry", [Global Times](#), June 30, 2022.

<sup>98</sup> "Xi stresses further strengthening armed forces by training competent personnel", [Xinhua](#), July 29, 2022.

<sup>99</sup> Minnie Chan, "China's navy has quietly commissioned a new submarine for its eastern fleet", [South China Morning Post](#), July 22, 2022.

<sup>100</sup> Ibid.

<sup>101</sup> Liu Xuanzun, "China to conduct flight test for aircraft of key 'strategic, historic significance'", [Global Times](#), July 7, 2022.

<sup>102</sup> "Inter-ministerial system established for development of digital economy", [The State Council of the People's Republic of China](#), July 25, 2022.

<sup>103</sup> Ibid.

report stressed that “NDRC convening the joint technology meeting underscores that the [focus will be on development rather than crackdown](#)”.<sup>104</sup> In another development, a white paper by state-affiliated think tank claimed that China’s [digital economy reached USD 7.1 trillion in 2021](#).<sup>105</sup>

Amidst widening US-China competition on semiconductors, the US plans to hold a [meeting of the “Chip-4 alliance”](#) involving Japan, Republic of Korea (ROK) and Taiwan aiming to create a “semiconductor barrier” against the Chinese mainland.<sup>106</sup> As 60 percent of the Republic of Korea’s semiconductor exports in 2021 were to the Chinese mainland and Hong Kong, a Global Times editorial called upon Seoul to “show courage and refuse US’s coercion”.<sup>107</sup> “Decoupling from the Chinese market will be a commercial suicide for ROK”, the paper added.<sup>108</sup> The US is also pushing the [Netherlands to ban ASML Holding NV](#) from selling its chipmaking machinery to China.<sup>109</sup> China’s MFA rejected US moves to “impose technological blockades on other countries”, even as it emphasised the significance of “technological independence and self-reliance”.<sup>110</sup> Meanwhile, the US Congress passed the [Chips act subsidizing semiconductor production](#) in the country.<sup>111</sup>

The US Securities and Exchange Commission (SEC) has added the Alibaba Group to a list of [Chinese companies facing possible delisting from US exchanges](#).<sup>112</sup> Washington can delist companies from trading in securities if its audits cannot be inspected for three consecutive years.<sup>113</sup>

Beijing rejected NASA Administrator Bill Nelson’s accusations that [China may “take over the Moon”](#) as part of its space programme that has a military dimension.<sup>114</sup> China’s MFA reminded NASA about the “dark history of the US

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<sup>104</sup> Xinmei Shen and Tracy Qu, “China enforces regular government meetings to coordinate Big Tech policies as crackdown eases”, [South China Morning Post](#), July 26, 2022.

<sup>105</sup> “China’s digital economy hits \$7.1t: white paper”, [China Daily](#), July 30, 2022.

<sup>106</sup> “S.Korea should have courage to say ‘no’ to US coercion: Global Times editorial”, [Global Times](#), July 21, 2022.

<sup>107</sup> Ibid.

<sup>108</sup> Ibid.

<sup>109</sup> “China criticizes U.S. attempt to ban Dutch chipmaking tech exports to China”, [Xinhua](#), July 6, 2022.

<sup>110</sup> Ibid.

<sup>111</sup> Jacob Fromer, “US House approves Chips Act to subsidise and speed up semiconductor production”, [South China Morning Post](#), July 29, 2022.

<sup>112</sup> Michelle Chan, “SEC Adds Alibaba to List of Chinese Companies Facing Delisting”, [The Wall Street Journal](#), July 29, 2022.

<sup>113</sup> Ibid.

<sup>114</sup> “China opposes remarks of NASA official on space program”, [Xinhua](#), July 4, 2022.



space programme provoking arms race in outer space while undermining global strategic stability".<sup>115</sup>

China launched the [first lab module 'Wentian' for its space station](#) serving as a backup for the core module and a scientific experiment platform.<sup>116</sup>

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<sup>115</sup> Ibid.

<sup>116</sup> "Shenzhou-14 astronauts enter Wentian lab module", [Xinhua](#), July 25, 2022.



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

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