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## **Beijing Promotes “National Security” Measures to Seek Tighter Control Over Hong Kong**

*By John Dotson*

### **Introduction: Beijing’s Personnel Appointments and Advocacy of “Patriotic Education”**

Luo Huining (骆惠宁) was appointed in January 2020 as Director of the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region (中央人民政府驻香港特别行政区联络办公室, *Zhongyang Renmin Zhengfu Zhu Xianggang Tebie Xingzhengqu Lianluo Bangongshi*) (hereafter “Central Liaison Office”), thereby placing him in charge of Beijing’s on-scene office for managing Hong Kong affairs. In taking up this role, Luo succeeded Wang Zhimin (王志民), who was likely replaced as a sign of Beijing’s displeasure with the failure to more effectively rein in anti-establishment protests throughout the second half of 2019 ([HKFP](#), January 20).

Luo’s appointment was followed in February by the announcement that Xia Baolong (夏宝龙), the Vice-Chairman of the Chinese People’s Political Consultative Conference (CPPCC), would take up a concurrent appointment as Director of the State Council’s Hong Kong and Macau Affairs Office (HKMAO). This move placed Xia in a key position for the management of policies towards Hong Kong, and also signaled a harder line by Beijing towards the restive territory ([China Brief](#), February 20).

Throughout the widespread unrest seen in Hong Kong in the latter half of 2019, government spokesmen, state media outlets, and covert social media disinformation campaigns directed by the People’s Republic of China (PRC) have promoted a narrative that the “black hands” (黑手, *hei shou*) of hostile foreign powers were behind the protests ([China Brief](#), September 6, 2019; [China Brief](#), December 10, 2019). PRC outlets have advocated enhanced “patriotic education” (爱国主义教育, *aiguo zhuyi jiaoyu*) as one of the necessary solutions for the territory’s alleged problem of foreign subversion ([China Brief](#), December 10, 2019). Some of these “education” measures are now being put into motion, as part of a wider crackdown by Beijing on dissent in the Hong Kong Special Administrative Region (HKSAR).

### **Beijing’s Representatives Send a Message on “National Security Education Day”**

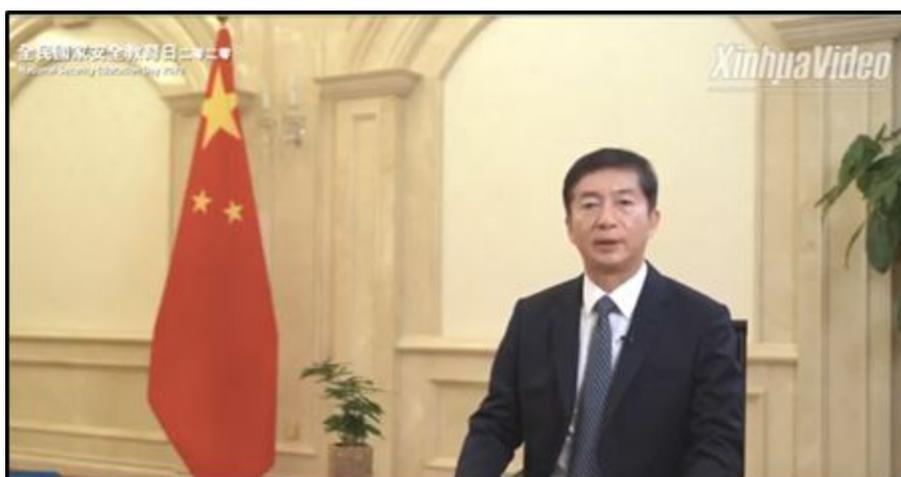
In mid-April, Luo Huining signaled efforts by Beijing to tighten control over the HKSAR by invoking the need for further “national security” measures in the territory. On the occasion of “National Security Education Day” (全民国家安全教育日, *Quanmin Guojia Anquan Jiaoyu Ri*) on April 15, Luo issued a video speech in which he stated:

*In the nearly 23 years since Hong Kong’s return to the motherland, the system for safeguarding national security in Hong Kong has [revealed] shortcomings that could be fatal at critical moments. In*

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recent years, foreign powers have deepened interference in Hong Kong's affairs... [and thus we must] strengthen Hong Kong's system for safeguarding national security. I believe that all friends who love the country and love Hong Kong will agree that we must take rapid steps to improve the legal governance system for upholding national security... and never allow Hong Kong to become a hazardous gap in the country's national security ([Xinhua/Youtube](#), April 16).

In thinly veiled comments clearly aimed at pro-democracy protestors, Luo further stated that “Many people have a rather weak concept of national security... if people are not punished when they break the law, there will be more copycat offences” in the future ([RTHK News](#), April 15).



*Images: Luo Huining (top), Director of the Liaison Office of the Central People's Government in the HKSAR, and Lam Cheng Yuet-ngor (Carrie Lam) (bottom), the Chief Executive for Hong Kong, both made video speeches on the occasion of “National Security Education Day” for Hong Kong, April 15.*

*(Image sources: ([Xinhua/Youtube](#), April 16; and [Xinhua/Youtube](#), April 15)*

HKSAR Chief Executive Carrie Lam Cheng Yuet-ngor (林鄭月娥) (Carrie Lam) also issued a video message on April 15, in which she stated that Hong Kong “as an inseparable part of the People’s Republic of China,

has a constitutional responsibility to safeguard national security, which also bears on the vital interests of Hong Kong residents...The HKSAR government must enhance its alertness against potential dangers even in times of peace” ([Xinhua/Youtube](#), April 15).

Leung Chun-Ying (梁振英), Carrie Lam’s predecessor as HKSAR Chief Executive and a current Vice-Chairman of the CPPCC ([Xinhua](#), March 13, 2017), was also cited in PRC state media as voicing support for these measures. As presented in a Xinhua commentary, Leung stated that “it is necessary to strengthen national security education as Hong Kong residents’ consciousness of the state was still weak;” and that “the HKSAR is also the country’s weak point in national security... Hong Kong’s opposition figures have become a pawn used by some Western countries in their rivalries with China” ([Xinhua](#), April 15).

Aspects of Luo’s and Leung’s statements—in which Hong Kong is referred to as a weak link in China’s national security—are noteworthy in what they reveal about the mindset and anxieties of senior leaders of the Chinese Communist Party (CCP). Senior CCP officials likely believe their own propaganda about foreign subversion in Hong Kong ([China Brief](#), December 10, 2019), and are clearly concerned that unrest (and the example of open protest) could spread to other regions of China. These anxieties have grown particularly acute in connection with the ongoing COVID-19 epidemic—which has seen both popular anger regarding the government response, and a CCP campaign to shore up the loyalty of security forces ([China Brief](#), April 13).



*Image: A still image from an animated video on the official Hong Kong “National Security Education Day” website, which lays out the elements of national security (國家安全, guojia anquan). In addition to traditional elements such as “national defense” (國防, guofang), “foreign relations” (外交, waijiao), and “economics” (經濟, jingji), this paradigm also embraces “culture” (文化, wenhua), “society” (社會, shehui), “scientific networks” (科技網絡, keji wangluo), “ecology” (生態, shengtai), “sanitation” (衛生, weisheng), and “food security” (食品安全, shipin anquan).*

*(Source: [Hong Kong National Security Education Day Website](#))*

## **Beijing Revives Controversies Surrounding Articles 22 and 23 of the Basic Law**

A draft “Extradition Bill” was the major proximate factor animating the Hong Kong protest movement in 2019, but lurking in the background was another major political and legal controversy: the question of follow-on legislation to implement Article 23, an anti-sedition component of the Hong Kong Basic Law ([China Brief](#), June 26, 2019). [1] This step has been advocated by pro-Beijing political actors dating back to the early 2000s, but has been feared by pro-democracy activists and civil society groups as a move that would provide pro-Beijing authorities with sweeping powers to suppress (and even criminalize) opposition political activity. [2]

“National Security Education Day” was accompanied by a renewed campaign to promote implementation of Article 23. In an April 17 article, *Global Times* asserted that “external forces have utilized the freedom in Hong Kong to concoct many anti-government protests to render Hong Kong anarchy [*sic*] and materialize it as a base for destabilizing the central government's rule of the whole of China;” and that the “black hands” of the United States in organizing the unrest meant that “enactment of Article 23 is of great urgency” ([Global Times](#), April 17). On April 23, Erick Tsang (Tsang Kwok-wai, 曾國衛), the HKSAR's newly-appointed Secretary for Constitutional and Mainland Affairs, stated that “Article 23 is a constitutional duty of the HKSAR... it is not a matter of whether it should be done, it is a matter of when” ([HKFP](#), April 24).

At the same time that pro-Beijing actors were playing up one article of the Basic Law, they were downplaying another. Article 22, which is intended to ensure Hong Kong's autonomy, states that “No department of the Central People's Government... may interfere in the affairs which the [HKSAR] administers on its own in accordance with this Law” ([Hong Kong Basic Law](#), adopted April 4, 1990). On April 17, the Central Liaison Office issued a statement that Hong Kong's autonomy was “authorized by the central government”—and that the central government, as “the authorizer,” maintained “supervisory powers over the authorized.” It further asserted that the Central Liaison Office (under direction of Luo Huining) and the PRC State Council Hong Kong and Macau Affairs Office (under direction of Xia Baolong) are “authorized by the central authorities to handle Hong Kong affairs,” to include the correct interpretation and implementation of the Basic Law and of the “One Country, Two Systems” framework. Per this statement, the two bodies “are not what is referred to in Article 22 of the Basic Law, or what is commonly understood to be ‘departments under the Central People's Government’” ([VOA](#), April 18). Therefore, the Liaison Office effectively declared Article 22 null and void, and asserted an unlimited right to intervene in the territory's affairs.

## **Arrests of Hong Kong Opposition Leaders**

The announcement of the “national security education” drive was also followed in quick succession by punitive measures taken against Hong Kong opposition figures. On April 18, fifteen prominent figures from the territory's democracy movement were arrested by police for involvement in “illegal assemblies” during the protests of 2019. In reference to the arrests, PRC state media stated that “months-long violent protests in

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Hong Kong severely hurt social stability and hindered economic development in the region, for which these riot leaders and [their] behind-the-scenes puppet masters should be held mainly responsible” ([Global Times](#), April 18).

The arrested persons were: Jimmy Lai Chee-Ying, publisher of the *Apple Daily* newspaper; barrister Martin Lee Chu-ming; Legislative Council (LegCo) member Leung Yiu-chung; former LegCo members Yeung Sun, Lee Cheuk-yan, Albert Ho Chun-yan, Leung Kwok-hung, Au Nok-hin, Sin Chung-kai, Cyd Ho Sau-lan, and Margaret Ng Ngol-yee; and activists Richard Tsoi Yiu-cheong, Raphael Wong Ho-ming, Figo Chan Ho-wun, and Avery Ng Man-yuen ([SCMP](#), April 20).



*Image: Jimmy Lai Chee-ying (黎智英) (background, center left, light blue jacket), publisher of the Apple Daily newspaper, is escorted from his home by plainclothes police. Lai was one of fifteen Hong Kong opposition figures arrested on April 18 on charges of organizing unlawful protests. (Image source: [CGTN/YouTube](#))*

The arrests have drawn broad international condemnation. Chris Patten, the last British colonial governor of Hong Kong prior to the 1997 handover, stated that “the arrest of some of the most distinguished leaders over decades of the campaign for democracy and the rule of law in Hong Kong is an unprecedented assault on the values which have underpinned Hong Kong’s way of life for years” ([HKFP](#), April 21). The U.S. State Department issued a statement that “the United States condemns the arrest of pro-democracy advocates in Hong Kong... Beijing and its representatives in Hong Kong continue to take actions inconsistent with commitments made under the Sino-British Joint Declaration that include transparency, the rule of law, and guarantees that Hong Kong will continue to ‘enjoy a high degree of autonomy’” ([U.S. State Department](#), April 18).

## Conclusion

The rapid succession of developments in mid-April should not be viewed in isolation; rather, they are part of a pattern of increasingly assertive steps by Beijing to tighten its control over Hong Kong, and to suppress the anti-administration, pro-democracy opposition movement. In the wake of last year's protests—which sometimes turned violent in terms of property destruction, clashes between protestors and police, and assaults on citizens by pro-administration triad gangs—the narrative of “national security” may be expected to play a greater role in the central government's efforts to assert tighter control over the territory.

Following the mid-April actions, Beijing may make a brief tactical retreat—as it has often done before— to gauge reactions in both Hong Kong and the international community. However, longer-term, the CCP will maintain its steady campaign to erode the HKSAR's independent institutions, to assert selective and self-serving interpretations of the Hong Kong Basic Law, and to pressure the opposition into silence. The April campaign for “national security education” in Hong Kong is likely a harbinger of further actions to come.

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## Notes

[1] Article 23 states that the HKSAR “shall enact laws on its own to prohibit any act of treason, secession, sedition, subversion against the Central People's Government, or theft of state secrets, to prohibit foreign political organizations or bodies from conducting political activities in the Region, and to prohibit political organizations or bodies of the Region from establishing ties with foreign political organizations or bodies” ([Hong Kong Basic Law](#), adopted April 4, 1990).

[2] In an op-ed published in the *Washington Post* after his April 18 arrest, barrister Martin Lee Chu-ming warned that the “vague standards” regarding sedition in Article 23 “are designed to protect the Chinese Communist Party and undermine core freedoms of Hong Kong, such as freedoms of religion, assembly and the press—including the reporting of pandemics that embarrass Beijing.” He further warned that implementation of the law could threaten international freedom of the press, on grounds that “under the Article 23 national security legislation, international publications operating or just distributing in Hong Kong could face prosecution for sedition.” [See: Martin Lee, “I Was Arrested in Hong Kong. It's Part of China's Larger Plan.” *Washington Post*, April 21, 2020.

[https://www.washingtonpost.com/opinions/2020/04/21/i-was-arrested-hong-kong-its-part-chinas-larger-plan/.](https://www.washingtonpost.com/opinions/2020/04/21/i-was-arrested-hong-kong-its-part-chinas-larger-plan/)]

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**“State Companies Advance and Private Firms Retreat”  
in China’s Bid to Resuscitate the Economy**

*By Willy Lam*

**Introduction: Beijing’s Plans for Stimulus Spending and “Six Stabilizations”**

After the bombshell announcement that the Chinese economy contracted by an unprecedented 6.8 percent in the first quarter of this year, the Xi Jinping administration has vowed to do whatever it takes to resuscitate growth and to stabilize employment. “We must adroitly and accurately materialize all measures to fight the epidemic and to resuscitate industry and production so that the targets and goals of this year’s economic and social development will be realized,” said Xi during an early April trip to Zhejiang ([People’s Daily](#), April 1).

In a mid-April statement, the Politburo said it would prioritize “boosting domestic demand, encouraging consumer spending and increasing public spending.” The ruling committee said the country would raise its fiscal deficit ratio and issue special government bonds. It also urged the central bank to use tools, including interest rate cuts, to support growth ([SCMP](#), April 17). This followed from comments by People’s Republic of China (PRC) Premier Li Keqiang in March, who reiterated that China must press forward the “Six Stabilizations” (六稳, *Liu Wen*): “stabilize employment, stabilize finances, stabilize foreign trade, stabilize oreign investment, stabilize investment and stabilize expectations” ([PRC Government](#), March 3; [Xinhua](#), March 3).



*Image: Li Keqiang speaking at a PRC State Council meeting in March 2016. Li used a similar State Council meeting in March 2020 to advocate “Six Stabilizations” for China’s economy in the wake of the COVID-19 pandemic crisis. (Image source: [V.China.com.cn](#))*

At the height of the Wuhan epidemic in January and February, the Xi administration had already asked regional administrations to come up with plans to resuscitate the economy. According to the official *21<sup>st</sup> Century Economic Herald*, 13 provinces and directly administered cities (Beijing, Hebei, Shanxi, Shanghai, Heilongjiang, Jiangsu, Fujian, Shandong, Henan, Yunnan, Sichuan, Chongqing and Ningxia) had by March announced 10,326 major projects. Of these, eight provinces and cities had unveiled \$4.8 trillion (33.83 trillion yuan) of plans. Another eight had disclosed that \$395 billion (2.79 trillion yuan) would be spent this year alone. Furthermore, according to the *First Financial Daily's* tally of large-scale regional projects, eight major provinces have announced investments close to \$3.5 trillion (25 trillion yuan) ([Apple Daily](#), March 2; [Reportrc.com](#), March 9).

### **How Will This Be Funded, and Who Receives the Money?**

Two weighty questions have emerged. The first one is: where does all the money come from? New bank lending in China rose sharply to \$405 billion (2.85 trillion yuan) in March, which was three times more than February's \$128.2 billion (905.7 billion yuan) ([Reuters](#), April 10). The spike in investment has coincided with a cut in taxes. Big enterprises are also allowed to cut down on their contributions to social welfare and unemployment benefits. China's total social debt is estimated to be at least three times that of gross domestic product (GDP). One view among specialists in Chinese finance is that Beijing may have to consider switching to some form of quantitative easing (QE) and other unorthodox methods to boost credit ([Peng Pai News](#), December 26, 2019; [Reuters](#), April 8). This is despite statements by Premier Li and other senior officials that the People's Bank of China will not emulate the U.S. government in implementing QE measures.

The second, and equally significant, issue is the phenomenon of *guojin mintui* (国进民退 / literally, "state advances, people retreat"). *Guojin mintui* means that state-owned-enterprises (SOEs) receive preferential treatment to increase their role in the economy, while private firms are disadvantaged and pushed by the wayside. In order to speed up the resuscitation of the economy, SOEs enjoy special privileges—such as reduced interest rates from banks, reduced electricity bills, and special orders from the government. To boost employment, about 20,000 directly or indirectly centrally controlled enterprises are busy making face masks, medicines, medical equipment, steel, and other heavy machinery. Few private firms enjoy such privileges ([WSJ Chinese edition](#), March 23.)

Even more detrimental to the non-state sector—which consists mainly of small—and medium-sized enterprises—is that they don't have the capacity to win contracts for infrastructure construction and modernization. A March report by the official *Economic Reference News* noted that the party central authorities and the State Council would take advantage of the new wave of investments to modernize infrastructure (particularly in central and coastal cities) in cutting-edge areas such as: 5G Internet, mass data, cloud computing, robotics, electric cars, new materials, green technology, and different types of artificial intelligence (AI). So far, multiple cities and provinces—including Beijing, Shanghai, Hebei, Shandong, Shanxi, Jiangsu, Fujian, and Yunnan—have unveiled industrial, commercial, and information and communications

technology (ICT) projects based on 5G platforms ([China.com.cn](#), March 10). Additionally, according to the official *Fortune Insight* website, seven provinces in the mainland are ready to invest \$3.5 trillion (25 trillion yuan) in new infrastructure development, underpinned by 5G networks and other cutting-edge technologies ([Fortune Insight](#), March 2).

Such moves are reminiscent of the \$566.3 billion (4 trillion yuan) investment that then-Premier Wen Jiabao approved in late 2008 to counter the impact of the global financial crisis on China. Much of this was used to lay down new infrastructure: ranging from a national high-speed railway network to subways, airports, highways and computer systems ([Phoenix TV](#), September 6, 2010; [Finance.sina.com.cn](#), June 23, 2009). Now the emphasis is on laying down 5G networks and other 21st-century infrastructure, which will involve billions of yuan in outlay. The *guojin mintui* phenomenon has been even more entrenched.



*Image: Construction workers engaged in a component project of the China-Laos Railway in Pu'er, Yunnan Province (April 2019). Investments in such Belt and Road Initiative projects are likely to increase even further as a result of stimulus spending intended to revive the Chinese economy in the wake of the COVID-19 epidemic. (Image source: [China Daily](#))*

Another aspect of the new economic order is renewed economic activities along the One Belt One Road, also called Belt and Road Initiative (BRI). According to the *People's Daily*, during January and February China exported a gargantuan \$185.5 billion (1.31 trillion yuan) of goods and services to BRI countries—an increase of 1.8 percent—which was 11.4 percent higher than China's overall exports to other (i.e., non-BRI) countries ([Finance.people.com](#), March 10). The PRC media emphasized that Chinese BRI-related infrastructure outlays would continue unabated despite the pandemic. The latest statistics show that Chinese enterprises in the first quarter of 2020 invested \$4.2 billion in non-financial sectors in 52 countries along the OBOR, representing a 2.4 percent increase over the same period last year ([One Belt One Road Net](#), April 23). It is

well-known that most Chinese private firms—except those with special connections with the leadership, such as Huawei—lack the means to bid for multi-million yuan contracts along the One Belt One Road.

**Conclusion: Stimulus Funding Will Likely Result in “The State Advancing”**

As a quasi-Maoist who believes in the party-state’s control of the economy, Xi Jinping has vowed to render SOEs “stronger, better and larger” ([SCMP](#), September 28, 2018; [People’s Daily](#), July 19). However, private firms contribute more than 50 percent of taxation and account for 90 percent of new jobs created. Since 2019, SOEs have used different means to take over lucrative non-state firms. For example, at least 44 listed private companies during this period have been absorbed by SOES in deals involving \$31.2 billion (220 billion yuan) ([China Times](#), April 3). So many small- and medium-sized enterprises run the risk of going under that, in late March, Premier Li authorized medium and small-scale banks to hand out an additional \$141.6 billion (1 trillion yuan) in loans mainly to non-state-sector firms. However, this alone is hardly enough to enable private firms to compete with gargantuan SOEs ([Oriental Daily News](#), March 31).

Reinforced state economic planning could also militate against trade talks with the Donald Trump administration. After reaching a “Phase One” agreement on tariffs in January, the two administrations were to begin talking about economic governance systems. Trump has reiterated that the Chinese economy must be market-driven, and not subject to direction from party and state. Washington is particularly against the overwhelming domination of the economy by SOEs and SOE conglomerates ([SCMP](#), January 16; [The Diplomat](#), January 10).

The perspective among the top leadership in Beijing is very different. Apart from reviving the economy, Xi seems eager to take advantage of the war against COVID-19 to further centralize power in his own hands. *Guojin mintui* is but one aspect of this re-centralization drive. Since February, a number of protégés and cronies of Xi, including the former mayor of Shanghai Ying Yong (应勇), have been promoted ([China Brief](#), February 28). The police-state apparatus has been beefed up. Outspoken intellectuals, whistle-blowing medical personnel, and even underground Christians have been suppressed ([China Brief](#), April 1). Given the unique contribution of the private sector to the economy, the *guojin mintui* trend, just like other aspects of centralization, could have a detrimental long-term impact on the country.

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**Global Supply Chains, Economic Decoupling, and U.S.-China Relations,  
Part 2: The View from the People's Republic of China**

*By Sagatom Saha and Ashley Feng*

*Editor's Note:* Our April 1 issue contained the first part of this article series ([Global Supply Chains, Economic Decoupling, and U.S.-China Relations, Part 1: The View from the United States](#)), which focused on the issues and policy debates in America surrounding the prospects for U.S.-China economic “decoupling.” In this second part of a two-part series, analysts Ashley Feng and Sagatom Saha turn their attention to the complex policy issues surrounding economic decoupling from the Chinese perspective, and how this might affect the future course of U.S.-China relations.

**Introduction: The World As Beijing Sees It**

U.S. economic policy is not the only force at play threatening to disrupt the deep economic ties between the People's Republic of China (PRC) and the United States (as discussed in part 1 of this article series). Chinese officials have also been driving a wedge. From the launch of the *National and Medium- and Long-Term Program for Science and Technology Development* ([PRC State Council](#), 2005) to *Made in China 2025* ([PRC State Council](#), 2017), China has consistently pushed for self-sufficiency in specific sectors, limiting foreign exposure where possible. As the Trump Administration has adopted a more confrontational trade posture with China, introducing trade and investment restrictions, Beijing's plans have only been accelerated.

However, the additional forces driving apart the world's two largest economies are secular economic trends. The PRC faces a shrinking, shifting workforce that threatens to undercut its global manufacturing status, and a looming middle-income trap that encourages Beijing to compete with Washington in high-value-add sectors. Looking forward, the economic shock from the COVID-19 pandemic will likely make the United States and the PRC further averse to interdependence, if the pandemic has a lasting impact into the future.

**Higher Wages, Fewer Workers**

The Chinese workforce, increasingly smaller and skilled, is moving away from the attributes that cemented China's central position as a low-cost critical link in many global manufacturing supply chains. First, China's population pyramid is increasingly unbalanced. China's population is forecasted to peak in 2029 at 1.4 billion people, and its dependency rate (the proportion of non-working people) has steadily grown since 2011 ([Nikkei Asian Review](#), January 5, 2019). By 2050, China's working-age population will have decreased by 200 million people ([Social Sciences Academic Press](#), January 3, 2019). What's more, the Chinese workforce has been steadily shrinking for roughly a decade, further driving up labor costs ([Caixin](#), January 29, 2019).

Chinese standards of living have also increased—due both to China’s economic growth and a higher-educated population—thereby pushing the labor force to further demand higher wages.

Second, Chinese wages are growing at pace with the Chinese economy. Even amidst the trade war, some Chinese provinces and municipalities continued to increase minimum wage standards in a bid to boost consumer spending amid slowing economic growth ([SCMP](#), August 21, 2019). The push, along with the cancellation of tax preferences for foreign firms, has compelled foreign manufacturers to seek low-cost labor in Southeast Asian and elsewhere ([WSJ](#) February 9). Some international firms with global supply chains are already planning to leave: 40 percent of American firms surveyed by the American Chamber of Commerce (AmCham) China and AmCham Shanghai said that they planned to shift at least part of their production out of China ([AmCham Shanghai](#), May 22, 2019).

The future seems to hold more of the same as other developing countries enjoy relatively lower-cost labor, as well as improvements in the infrastructure and human capital needed for massive manufacturing hubs. The Chinese government, in pushing for wage growth over manufacturing output, recognizes that Chinese labor supply—increasingly educated and urban—will not be able to competitively fill low-value-add factories much longer.



*Image: During an autumn 2016 inspection tour in Shenzhen (Guangdong Province), PRC Premier Li Keqiang poses with workers holding characters for the “Made in China 2025” (中国制造2025, Zhongguo Zhizao 2025) indigenous technology innovation program. (Source: [Xinhua](#))*

## Escaping the “Middle-Income Trap”

These trends in wage growth run contrary to the economic model that has powered Chinese growth since it entered the World Trade Organization in 2001. The PRC fueled annual gross domestic product (GDP) increases by adopting foreign technology, accumulating more factories, and exporting more goods to the rest of the world. However, that paradigm may not continue to work. Sub-Saharan African and Southeast Asian nations are developing their own competitive edge in manufacturing before China has sufficiently broken into the advanced sectors that drive growth in the United States alongside domestic consumption. In other words, China faces an impending middle-income trap, in which it would neither dominate manufactured-goods exports nor compete in services or technologically innovative industries. Chinese leaders have acknowledged that future economic growth is far from guaranteed ([China Daily](#), October 5, 2017). In fact, China’s seemingly miraculous growth is actually quite precedented and slower on a per-capita basis than historical periods of rapid growth in Japan, South Korea, and Taiwan ([WSJ](#), July 17, 2019).

Acknowledging its economic dilemma, Beijing has been actively tipping the scales toward moving up the value chain. For example, the emerging Chinese workforce is much more suited toward the service sector, where the United States still maintains a trade surplus with the rest of the world. Since the mid-2000s, China has placed an increased emphasis on decoupling with a different name: indigenous innovation. Indigenous innovation, which was first mentioned in the *National and Medium- and Long-Term Program for Science and Technology Development*, is a bit of a misnomer—it doesn’t just mean investing and promoting innovation domestically, it also means to “localize production and intellectual property” ([USCC](#), July 28, 2016).

This includes investing in strategic sectors abroad, bringing and relocating the personnel and technological know-how back to China. Since 1990, China has invested a total of \$148.3 billion in the United States, peaking in 2016 with \$46.5 billion ([Rhodium Group](#), 2019). In Europe, China has invested \$174.4 billion between 2000 and 2019 ([Rhodium Group](#), April). Many of these investments are in sectors that China defines as strategic: such as information and communications technology (ICT), consumer products and services, energy, and the automotive industries.

Where China cannot get these products through legitimate means, such as through investments and acquisitions, it turns to illicit means ([U.S. Trade Representative](#), March 22, 2018). As a senior German intelligence official once indicated, when China can attain high-tech companies through legal means, this corresponds with a drop in cyberespionage activities ([SCMP](#), April 12, 2018). In the United States, intelligence officials noted that after the trade war began, Chinese levels of cyberespionage also picked up ([NYT](#), November 29, 2018).

As the economic competition has picked up in both speed and intensity, so too have Chinese efforts to decouple from the United States. After the United States placed Huawei and its 68 subsidiaries on the Entity List, China’s efforts to decouple technologically from the United States only increased. The CCP ordered

government offices to remove all foreign computer equipment and software mirroring Washington's efforts to limit the use of Chinese technology. Chinese companies also began designing out American parts from their products, such as Huawei smartphones ([WSJ](#), December 1, 2019).

China's chances of maintaining comity in the international trading system seem slim if it successfully advances up the global value chain—especially in services, where the United States still maintains a trade surplus with the rest of the world. Such a move would put the PRC in even more direct, higher stakes economic competition with the United States and other advanced economies who possess a laundry list of economic grievances with Beijing. The PRC leadership nonetheless intends to move China up the supply chain anyway, in fear of getting stuck in the middle-income trap—in which emerging economies lose their competitive edge in manufactured-good exports without entering high-value-add segments of the global economy.



*Image: Workers at a shoe factory in the city of Putian (Fujian Province), July 2019. China's competitive advantages in the lower-end manufacturing of products such as shoes are likely to be diminished in the future by rising labor costs—thereby prompting Chinese leaders to seek ways of moving up the manufacturing supply chain in order to avoid the “middle-income trap” of stalled economic development.*

*(Image source: [Xinhua](#))*

### **Contemplating the Impacts of the COVID-19 Pandemic**

While Beijing has long prioritized achieving independence in critical technologies, the COVID-19 pandemic has accelerated concerns elsewhere—not only in the United States, but around the world—by demonstrating the disastrous consequences of global supply chains that lack domestic self-sufficiency. In March, the PRC, which dominates medical equipment markets, largely withheld respirator and surgical mask exports as it dealt

with the coronavirus within its own borders. At least 80 other countries have officially limited or banned personal protective equipment exports with few notifying the World Trade Organization as required for members ([WTO](#), April 24). The pandemic also punished those that relied on the PRC for coronavirus test kits, and multiple European countries have complained of receiving faulty testing kits, protective masks, and other critical medical supplies ([Caixin Global](#), April 2). Many countries, from Australia to the United States, have called on domestic industry to fill the import gap.

Other countries fear that Chinese state-owned firms will opportunistically take over domestic companies with capital injected by Beijing. For example, India tightened its investment restrictions so that any foreign investor from a country that shares a land border must receive government approval ([Economic Times](#) (India), April 19). The rule, which already applied to Bangladesh and Pakistan, was aimed squarely at Beijing. Europe also appears vulnerable to bargain hunting with Chinese firms and funds eyeing acquisition targets on the continent. European countries, which have so far lagged behind the United States when it comes to screening foreign investments for national security concerns, have taken COVID-19's threat to business seriously: France, Germany, and Italy have all announced measures that would strengthen protections against foreign takeovers ([WSJ](#), April 20). Margrethe Vestager, the European competition commissioner, has gone as far as proposing that EU governments buy stakes in domestic firms to prevent Beijing from doing the same ([Financial Times](#), April 12). Brussels has so far played a minimal role in national investment screenings, letting each country determine its own system—with some having none in place at all ([China Brief](#), January 18, 2019).

The pandemic has revealed the glaring drawbacks in global “just-in-time” supply chains. For countries that rely on Chinese production, pandemic related disruptions (and the competitive free-for-all to purchase limited supplies) have highlighted the importance of domestic slack and redundancies. Insofar as foreign investment is a factor, governments have viewed it as a vulnerability to be patched rather than a remedy for unprecedented economic pain. It remains unclear what lasting effect the pandemic will have on the global economy, but it has thus far exposed faults and deepened the process of “decoupling.”

### **Conclusion: A Chronicle Of A Decoupling Foretold**

If Beijing and Washington seek to decouple, global trends are cooperating. Chinese wages are increasing and Chinese workers are becoming fewer, making it difficult for Chinese factories to keep up the same level of production while keeping costs low. In light of these difficulties, Beijing is angling to move up the global value chain, which would place China in direct economic competition with the United States. If Beijing succeeds, China's days as the world's factory would be a relic of the past. Chinese firms would compete for market share in the same advanced manufacturing and service sectors as American firms, similar to the decimation of non-Chinese firms in the clean energy sector.

These underlying macroeconomic trends in China—rising wages, a shrinking and educated workforce, and the looming middle-income trap—have incentivized foreign companies to shift production elsewhere. The desire of PRC leaders and Chinese companies to shift to a higher-value economy frightens American businesses and the U.S. government, and U.S. policymakers have begun to take steps to mitigate potential harm and further losses to the U.S. economy. These actions by both parties, amidst the backdrop of growing economic competition and COVID-19, will only accelerate decoupling between the world's two major economies.

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**Chinese Survey Vessel Incident Puts Malaysia's  
South China Sea Approach Under Scrutiny**

*By Prashanth Parameswaran*

**Introduction: Challenges to Malaysia's South China Sea Approach**

Malaysia has traditionally pursued what might be termed a “playing it safe” approach with respect to the South China Sea, where it pursues a combination of diplomatic, economic, legal, and security initiatives to secure its interests as a claimant state, while also being careful not to disrupt its bilateral relationship with the People's Republic of China (PRC). This approach stems in part from the balance Malaysia has struck between preserving its claims, which are essential not only to its territorial integrity but also its prosperity, as some fields and platforms used to exploit hydrocarbons lie within China's declared “nine-dash line.” It also reflects broader realities and constraints, including the relatively distant geographical location of Malaysia's claims relative to other claimants. It further incorporates the symbolic and substantive importance of maintaining closer ties with China (which is now the country's largest trading partner), and the limitations of Malaysia's own military capabilities. [1] It is also consistent with broader considerations in Malaysian foreign policy, including advancing the country's status as a trading and maritime nation, and preserving global norms and international law as opposed to “might makes right” approaches. [2]

This approach is being tested by increasing incidents in the South China Sea (SCS). Earlier this month, the Chinese survey vessel *Haiyang Dizhi 8*, accompanied by several coast guard and maritime militia vessels, encroached into Malaysia's exclusive economic zone (EEZ) to protest Malaysia's ongoing energy exploration activities. This resulted in simmering tensions between the two countries, which had been ongoing since last year, spilling over into public view. The incident put the new Malaysian government's approach to China and the South China Sea under greater scrutiny—and revealed constraints that the Southeast Asian state faces in fashioning a response to Beijing's continued assertiveness amid wider challenges at home and abroad.

**Recalibration Amid Growing Concerns**

Over the past few years, Malaysian policymakers have recalibrated aspects of the country's SCS strategy as they become more aware of the challenges posed by China's assertiveness. For example, under the government of Prime Minister Najib Razak (2009-2018), while there was a commitment to advancing Sino-Malaysian ties, Malaysia undertook a series of activities intended to advance its interests amid rising Chinese activities in the SCS. These Chinese actions included growing incursions by Chinese Coast Guard (CCG) and maritime militia vessels—with the CCG's presence off Luconia Shoals being a case in point—and interruptions of some of Malaysia's energy exploration activities ([New Straits Times](#), July 29, 2019). Malaysia's responses included the historic filing of a joint submissions claim with Vietnam; launching diplomatic protests against Beijing's actions; increasing patrols around the country's waters; and deepening

defense ties with other major powers, including the United States ([United Nations](#), May 7, 2009; [Contemporary Southeast Asia](#), December 2016).

The pattern of recalibration continued even after the shock election result in May 2018 that ousted Najib and brought the Pakatan Harapan (PH) government to power, led by returning Premier Mahathir Mohamad. During the past two years of the PH government, some of Mahathir's rhetoric has suggested an inconsistent policy, and Malaysia has agreed to bilateral steps—including what was characterized as a new SCS consultation mechanism in September 2019 ([PRC Foreign Ministry](#), September 12, 2019; [Malay Mail](#), November 4, 2019). However, there were also clear efforts to put a greater focus on the maritime domain and the SCS—as reflected in remarks made by officials, as well as formal documents such as Malaysia's defense white paper and foreign policy framework ([Malaysiakini](#), June 17, 2019; [MINDEF Malaysia](#), 2020).

Perhaps the most consequential action in this context was Malaysia's submission of a new extended continental shelf claim to the United Nations last December ([United Nations](#), December 12, 2019). The submission reinforced Malaysia's determination to consolidate its claims legally amid China's assertiveness and ahead of the conclusion of a potential ASEAN-China Code of Conduct, as was made clear by then Foreign Minister Saifuddin Abdullah following protests by Beijing ([Borneo Post](#), January 4). On the other hand, tensions between Malaysian, Vietnamese, and Chinese vessels began to play out last year and into 2020. This occurred as Kuala Lumpur began conducting some exploration activities in disputed waters, which in turn spotlighted the question of whether Malaysia would be able to back up its claims and sustain this position over time ([AMTI](#), February 21). With the PH government's sudden demise in February, the focus shifted to how the new Perikatan Nasional (PN) government led by Prime Minister Muhyiddin Yassin would seek to contend with the SCS issue within the broader context of Sino-Malaysian relations.

### **The Survey Incident and Malaysia's Reaction**

Seen from this perspective, the recent incident represents the first major test for the PN government's approach to the SCS. On April 16, the Chinese survey vessel *Haiyang Dizhi 8* (海洋地质八号, *Haiyang Dizhi Ba Hao*), accompanied by several Chinese Coast Guard (CCG) ships and maritime militia vessels, encroached into the area of Malaysia's EEZ. On April 17, it moved close to *West Capella*, a British drilling ship contracted out to the Malaysian state-owned energy giant Petronas. The *Haiyang Dizhi 8* reportedly moved in a hash-shaped pattern consistent with carrying out a survey ([Harian Metro](#), April 16; [Reuters](#), April 17). Separately, there were also reports of a transit by two U.S. warships—the USS *America* and USS *Bunker Hill*—which sailed near *Haiyang Dizhi 8* and the *West Capella*, as Washington protested China's SCS conduct ([Malaysian Insight](#), April 23; [Reuters](#), April 21).

PRC Foreign Ministry spokesperson Zhao Lijian said that *Haiyang Dizhi 8* “was conducting normal activities in waters administered by China.” Following the incident, Chinese state media continued to focus mostly on highlighting COVID-19 as a source of Sino-Malaysian cooperation ([Ministry of Foreign Affairs](#), April 21;

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[Xinhua](#), April 24; [Xinhua](#); March 28). But the survey incident, which saw a response by Malaysian vessels patrolling the area, was in line with Beijing's previous signals to Southeast Asian countries about the risks of carrying out energy exploration within the nine-dash line; and reinforced the PRC's continued assertiveness in the SCS, even amid the COVID-19 pandemic ([Straits Times](#), April 22; [The Diplomat](#), April 20). This was also followed by a series of subsequent activities by China in the SCS—including the establishment of new administrative districts, and the renaming of features—that generated protests from other Southeast Asian claimants ([Berita Harian](#), April 21).



Image: A file photo of the Haiyang Dizhi 8 and its crew pierside (undated). (Image source: [SCMP](#))

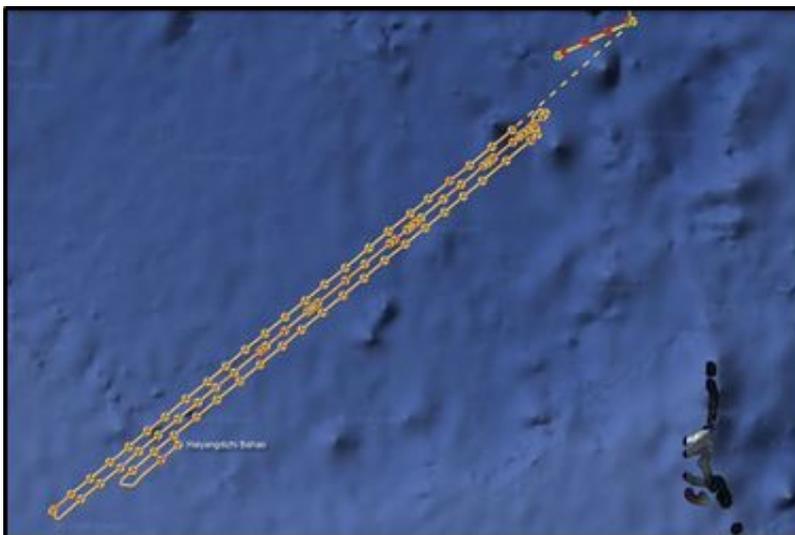


Image: The reported track of Haiyang Dizhi 8 from April 16-19, in a region of the South China Sea within Malaysia's claimed exclusive economic zone. (Source: [South China Sea News - Twitter](#))

The incident created yet another bump in what has already been a rocky road for Sino-Malaysian relations. The sudden collapse of the PH party government in February had meant that there would be another round of recalibration of relations between China and Malaysia as the dust settles politically in the new PN government ([CGTN](#), March 9; [The Star](#), March 11). However, before that process took shape the global coronavirus pandemic gripped Malaysia, putting the country in effective lockdown by mid-March. This worsened the country's economic outlook, and disrupted key aspects of collaboration in Sino-Malaysian relations—including culture, tourism, and people-to-people exchanges ([Bank Negara](#), March 20; [The Star](#), February 4; [Xinhua](#), January 20).

Initially, the Malaysian government's official reaction to the survey vessel incident was relatively quiet, reflecting the country's longstanding preference for a low-profile way of handling SCS issues. Although the director of the Malaysian Maritime Enforcement Agency (MMEA), Zubil Mat Som, confirmed that Chinese vessels had entered the Malaysian EEZ, he refused to specify where the vessels had been and denied that they had operated illegally ([Harian Metro](#), April 16). There was also no formal public statement issued by the government on the matter for several days, until the press statement put out by Foreign Minister Hishammuddin Hussein on April 23. Even then, that statement reiterated key talking points in Malaysia's SCS approach rather than calling out the PRC for its transgressions—indeed, China was mentioned only once in the entire document ([Malaysia FM press statement](#), April 23).

The government's initially quiet stance generated some debate within Malaysia, some of which spilled out into the public domain. For instance, Malaysia's former foreign minister, Anifah Aman, wrote a letter directly to Prime Minister Muhyiddin urging him to act firmly, noting that “a consistent and principled stance is the best way to deal with China's behavior” ([Malaysiakini](#), April 23). While Muhyiddin himself remained silent, other officials within the government were nonetheless keen to demonstrate that their quiet approach had its merits. Hishammuddin's statement, for example, ended pointedly: “Just because we have not made a public statement on this does not mean that we have not been working on all the above mentioned, [and] we have open and continuous communication with all relevant parties, including the People's Republic of China and the United States of America” ([Malaysia FM press statement](#), April 23).

### **Constraints in Malaysia's Response**

The incident exposed the constraints inherent in Malaysia's SCS strategy and the PN government's approach. Whatever may have been going on behind the scenes, Malaysia's initial public response to the survey incident generated confusion. The lack of a formal official statement from the Malaysian government for several days provided room for speculation and criticism to build among some about its lack of response, and the effects on Malaysian foreign policy ([Twitter](#), April 21). Although Malaysian officials did begin to clarify aspects of ongoing developments later on, by then the government was already on the backfoot and had to counter notions of a Sino-Malaysian “standoff,” rather than actively shaping the narrative up front to its own advantage ([Malaysiakini](#), April 22).



*Image: Malaysian Foreign Minister Datuk Seri Hishammuddin Hussein speaking at a press conference on April 21. In an April 23 statement, Hishammuddin stated that “Malaysia remains firm in its commitment to safeguard its interests and rights on the South China Sea,” and expressed concern that the presence of warships and survey vessels in the South China Sea could result in “miscalculations” affecting peace and security in the region. However, he also took pains to avoid being seen as confrontational with China, and stressed that “matters relating to the South China Sea must be resolved peacefully based on the principles of international law.” (Source: [Malay Mail](#), April 23)*

Coordination-wise, the steps taken in response to the incident, and the wider dynamics of Sino-Malaysian relations, appeared to be moving on separate tracks. Strategically, developments that went on in the absence of a government statement—such as the appointment of a new Malaysian special envoy to China—made the policy disconnect more striking and created the illusion of business as usual ([Borneo Post](#), April 24; [Astro Awani](#), April 20). Beyond the few initial details provided by the MMEA chief, there was also little sense of how Malaysia was shaping a whole of government response to the episode, reflecting issues that previous governments had attempted to address as well ([New Straits Times](#), January 15). Pointing to these longstanding issues in his letter to Muhyiddin, Anifah suggested that more active measures previously considered could be taken to address this, including the formation of a special body dedicated to the coordination of maritime affairs ([Malaysiakini](#), April 23).

While Malaysia’s shortfall in maritime capabilities has long been recognized, China’s assertiveness in the SCS has exposed these limitations in recent months and the Southeast Asian state has faced issues in ramping up its defense budget ([The Star](#), December 6, 2019). In October, Malaysia’s then-Foreign Minister Saifuddin Abdullah bluntly told Malaysia’s parliament that recent incidents had created a gulf of credibility between Malaysia’s words and actions in the SCS: “[O]ur assets...need to be upgraded so we are able to better manage out waters should there be a conflict between major powers in the South China Sea” ([The Straits Times](#), October 18, 2019).

## Conclusion

The China survey vessel incident is just the latest in a series of developments that have increased the scrutiny on Malaysia's South China Sea approach. Nonetheless, it is significant: it reinforces the challenges that Malaysia continues to face in recalibrating its outlook on this question, and on Sino-Malaysian relations more generally. It also spotlights the difficulties that the new PN government has encountered in its first major SCS test. How exactly the PN government moves forward on this question remains to be seen. As the two previous Malaysian governments have shown, it is often subtler recalibrations of approaches, rather than disruptive change or total continuity, that will be important to monitor. How Malaysia proceeds will not only be important for the country itself, but also for the region more generally.

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## Notes

[1] See the author's previous analysis on this topic in *Playing It Safe: Malaysia's Approach to the South China Sea and Implications for the United States* (CSIS, March 5, 2015). <https://www.cnas.org/publications/reports/playing-it-safe-malaysias-approach-to-the-south-china-sea-and-implications-for-the-united-states>.

[2] Johan Saravanamuttu, *Malaysia's Foreign Policy, the First Fifty Years: Alignment, Neutralism, Islamism* (Institute of Southeast Asian Studies), 2010.

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**Examining China's Organ Transplantation System:  
The Nexus of Security, Medicine, and Predation  
Part 1: The Growth of China's Transplantation System Since 2000**

*By Matthew P. Robertson*

*Editor's Note:* For many years, stories have circulated about alleged instances of involuntary organ harvesting in the People's Republic of China—to include alleged instances of prisoners of conscience being first medically screened and then executed for their organs, with senior Chinese Communist Party (CCP) officials acting as either the medical or financial beneficiaries of organ transplant procedures. Many, though not all, of these accounts have been connected to alleged abuses directed at members of the Falun Gong spiritual movement, or other groups repressed by state authorities. Due perhaps to the lurid and disturbing nature of these accounts, and the difficulty of confirming them amid government suppression of information on the issue, the veracity of these alleged accounts of organ harvesting has long been left as an unresolved question.

*Matthew P. Robertson, research fellow with the Victims of Communism Memorial Foundation (VOC) and a PhD candidate in political science at the Australian National University, is engaged in an effort to direct analytical rigor towards this controversial topic, which has long been a marginalized issue on the sidelines of diplomatic and human rights discourses connected to the PRC. Mr. Robertson is the author of a detailed report on the topic published in March 2020 by VOC, available [here](#).*

*In this article, the first part of a planned three-part series in China Brief, Mr. Robertson details the development and expansion of China's policy architecture and medical infrastructure for organ transplants over the past two decades. The second part, to appear in our next issue, will examine the available evidence as to whether prisoners of conscience and targeted ethnic minorities in the PRC have been made subject to extrajudicial killing as part of this system of organ harvesting and transplantation. The third and final part, to appear in a near-future issue, will examine the ways that PRC authorities have sought to leverage influence over international medical organizations in order to suppress broader exposure of this issue.*

## **Introduction**

In late February and early March this year, in the midst of the COVID-19 pandemic, official Chinese media reported two impressive medical feats: the Wuxi People's Hospital near Shanghai, and the Zhejiang Medical University's First Affiliated Hospital, both performed dual lung transplants for coronavirus patients. This was indeed a "World First!", as one headline put it ([Beijing Daily](#), March 1). While the news itself was noteworthy, so were the extremely short waiting times for the organs: Dr. Chen Jingyu, China's most well-known lung transplant surgeon at the Wuxi People's Hospital, managed to acquire compatible lungs from a healthy donor in Guizhou Province within five days of the patient being transferred to his hospital ([China News](#), March 1).

Similarly, surgeons at Zhejiang Medical University's First Affiliated Hospital acquired lungs within three weeks for a March 2 transplant, after "scouring the country for a donor" ([Beijing News](#), March 2).

These extremely short waiting times for procuring organs are unusual when compared to other countries, where waiting times are often measured in months or years. They speak either to an extremely efficient matching system from hospital-based, voluntary donors in the People's Republic of China (PRC)—something that countries with advanced organ donor systems are often unable to achieve, let alone achieve in the midst of a pandemic—or else they indicate a captive population able to be executed on demand to provide organs. Based on the information at present, it is impossible to tell which explanation is true for these two cases. However, there are many reasons to find the rapid nature of such organ procurements suspicious.



*Image: "The Chen Jingyu team anxiously proceeds with a double lung transplant surgery for a coronavirus pneumonia patient" at the Wuxi People's Hospital near Shanghai (February 29). The lungs used in the procedure were reportedly obtained from a healthy donor in Guizhou Province within five days.*

*(Source: [China News](#), March 1).*

For most of the last two decades, China's transplantation system has been tightly linked with its security apparatus: nearly a quarter of authorized transplant hospitals are military or paramilitary ([NHFPCC](#), February 11, 2018). China is also the only country to systematically source organs almost solely from prisoners ([Human Rights Watch](#), August 1994; [Lancet](#), March 3, 2012). In 2015, the PRC claimed that it had reformed its transplant system, and officials promised that prisoners would never be used again ([New York Times](#), December 4, 2014). Prior to that, it was clear that prisoners were being killed on demand: waiting times for transplants were only weeks, days, and sometimes even hours, meaning that execution and transplantation were being closely choreographed. There has been intense controversy about the identity of those

prisoners—whether death row prisoners only (as claimed by China since 2006), or prisoners of conscience also.

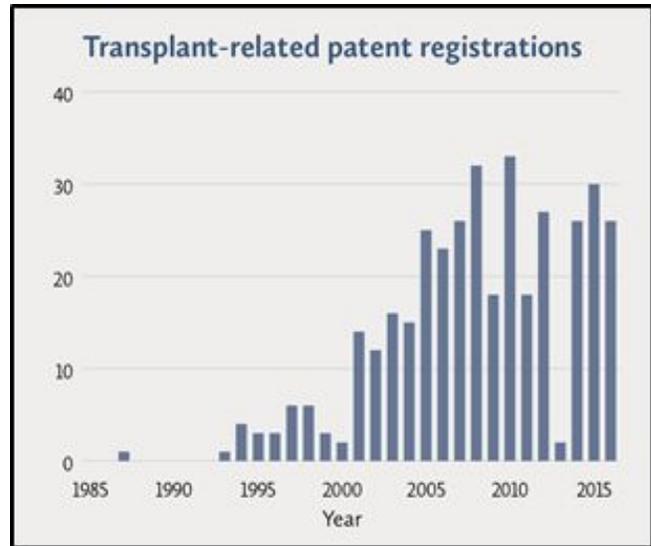
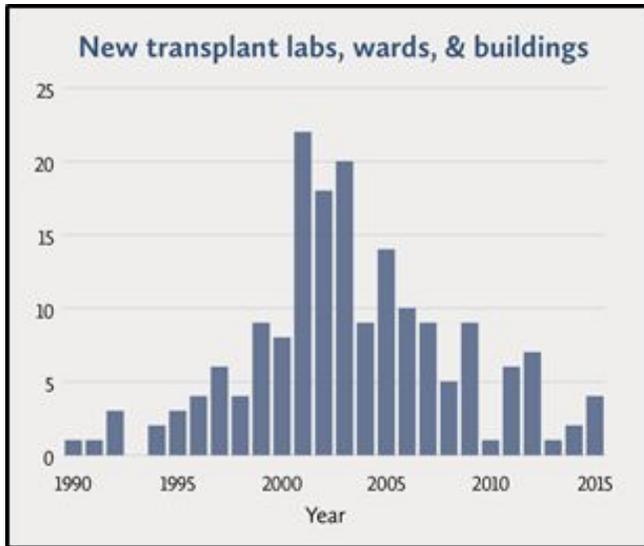
Given that an organ transplant surgery can cost tens of thousands of dollars ([TV Chosun](#), July 16, 2018), there is an obvious incentive for transplant hospitals and surgeons to perform transplants. The use of prisoners as an organ source involves only minimal expenditure for medical examinations. Thus, while some prisoners may be funneled to labor camps and in-prison sweatshops, a smaller number can be directly monetized via the procurement and trafficking of their organs. Furthermore, access to organ transplants appears to be one of the medical benefits available to officials in the ranks of the Chinese Communist Party (CCP)'s *nomenklatura*. [1]

The central questions when examining China's organ transplantation system at present include: Is the trade in human organs in China still continuing? At what scale? How successful has the PRC been at reforming its abusive practices? How strong is the evidence that prisoners of conscience have been, and continue to be, exploited as an organ source? And how deeply involved in these activities is the CCP itself—including its armed components of the People's Liberation Army (PLA) and the People's Armed Police (PAP)?

### **The Growth of the Transplant System—Without Growth of a Known Source of Organs**

When examining the trajectory of China's organ transplantation system over the last 20 years, a number of key findings emerge. The first is that the system began a precipitate expansion in the year 2000. This is clear both from anecdotal statements by Chinese transplant surgeons, as well as in the raw data able to be gathered from Chinese hospital websites. A leading Chinese surgeon with state ties told domestic media that the year 2000 was a "watershed" for China's transplant sector, with liver transplants growing by ten times between 1999 and 2000, and tripling again by 2005 ([Southern Weekend](#), March 26, 2010). A recent report by this author, commissioned by the Victims of Communism Memorial Foundation, gathered nearly 800 data points from over 400 hospitals that confirmed such growth ([VOC](#), March 10).

This data shows that the number of hospitals performing transplants grew from less than 100 in 1999, to nearly 600 in 2004, to a maximum of 1000 in 2007, according to Chinese media reports. Thousands of new transplant surgeons were also trained, with a total of nearly 10,000 documented transplant personnel by 2014. New patent registrations on transplant technologies grew rapidly after the year 2000, as did the number of hospitals reporting their first ever liver, lung, and heart transplants. (The growth in hospitals reporting new kidney transplants was more modest, because death row prisoners had long been used as a kidney source.) In the early 2000s, dozens of hospitals built new transplant research laboratories, wards, or entire buildings. The government also began subsidizing its domestic immunosuppressant industry.



*Images: Tables depicting the growth of both transplant-related medical facilities, and transplant patent registrations, in the PRC from the 1990s to the year 2015. Both figures demonstrate a dramatic expansion in the PRC’s organ transplant architecture after the year 2000. (Source: compiled by the author)*

The second finding, as mentioned above, is that transplants began being performed on-demand. This is evident in the country’s own liver registry annual reports, which were removed from the internet after researchers found the information. The 2005 and 2006 versions of these reports show that, respectively, 29% and 26.6% of all liver transplants (where the timing of surgery was noted) were performed on an emergency, rather than elective basis ([2005 CLTR](#), February 12, 2006; [2006 CLTR](#), December 31, 2006). This means that after the patient presented at hospital with liver failure, a new liver—healthy and with a compatible blood type—was procured within one to three days. The removal of a liver attends the death of the donor. In the absence of a voluntary donation system, this can only plausibly be explained by the pre-screening of prisoners who are executed on demand.

The third finding is that China’s official explanation for the source of its organs does not account for what we are able to observe through a direct, if necessarily incomplete, study of the transplant system itself. Indeed, the official explanation for the source of organs has shifted as international pressure has increased. In 2001, a PRC spokesperson said the claim of organ sourcing from prisoners was “vicious slander” ([New York Times](#), June 29, 2001). In 2006, this denial was softened to a revised claim that death row prisoners were used “in only a few cases” ([Xinhua](#), April 10, 2006). By 2012, the authorities claimed that organs had been coming almost solely from death row prisoners all along ([Lancet](#), March 3, 2012). Since 2015, the claim has again been that organs come from voluntary donors only.

When comparing the growth of the transplant system with the characteristics of the death penalty system, however, it emerges that there is a significant disconnect. The PRC is highly secretive about its death penalty numbers, but scholars who study the issue agree almost unanimously that the number of official executions

in the criminal justice system has been in a long-term decline since the early 2000s, and that major reforms to the approval process for executions led to a precipitous decline in sentences beginning in the year 2007. [2] This took place when the PRC Supreme People's Court resumed authority to review and approve every death sentence, rather than leaving the matter in the hands of provincial courts. Judicial insiders told Chinese media outlet *Caixin* that the drop in executions was so large that they dared not report it, lest the public think they were lying ([Caixin](#), December 18, 2016).

### **Continued Growth of the Transplantation Medical Architecture**

Despite this, China's transplant apparatus continued to grow. In 2007 the largest organ transplantation center in Asia, a 14-story building, opened at the Tianjin First Central Hospital. It was originally planned to hold 500 transplant beds, but this was expanded to 700 even before it opened. It then reported operating at full capacity, before adding a further 300 beds in 2013 ([Chinese Journal of Integrated Traditional and Western Medicine in Intensive and Critical Care](#), February 2006; [Tianjin Daily News Online](#), September 5, 2006; [China Construction Network](#), October 21, 2009; [enorth.com.cn](#), June 25, 2014). The transplant surgeon leading this expansion, Dr. Shen Zhongyang, also founded the transplant center of the People's Armed Police General Hospital in Beijing ([Armed Police General Hospital](#), September 11, 2006).

From 2010 to 2012 the PLA's 309 Military Hospital, which treats the CCP elite, expanded its transplant bed capacity by 25%, and grew its profits by 800% ([Xinhua Military](#), February 28, 2012; [309 Military Hospital](#), November 17, 2010). Other major transplant centers also expanded, such as the Third Affiliated Hospital of the Sun Yat-sen University in Guangdong, which nearly tripled its transplant beds between 2005 and 2016 ([Health News](#), December 4, 2005; [The Third Affiliated Hospital of Sun Yat-sen University](#), probably March 2016); while the Shanghai Renji Hospital doubled its transplant beds from 2004 to 2006, then tripled them again by 2016 ([People's Daily Online](#), June 23, 2006; [Renji Hospital](#), probably 2016). These are only a few cases, which illustrate a much larger trend.

It is difficult to reliably estimate the volume of organ transplants implied by all this activity. Researchers have adopted a variety of approaches, primarily in the form of extrapolating from limited available data, or assuming that mandated minimum transplant volumes are upheld. These estimates suggest transplants in the range of 60,000 to 100,000 annually from the period of 2000 to 2015. [3] Another approach is simply to triangulate official public claims, which results in an estimate of 30,000 transplants annually in many of the years during this period ([VOC Report Appendix 4](#), March 10). While the actual number is unknown, it appears to be far greater than can be accounted for by death row executions, which were estimated at a few thousand in 2013 ([Dui Hua](#), October 20, 2014).

This apparent discrepancy leaves open a critical question: If a system of voluntary donations cannot explain the availability of healthy organs on short notice, and if the number of death row executions is significantly lower than the number of transplants, then what is the source of these organs?

This article will continue with “Examining China’s Organ Transplantation System: The Nexus of Security, Medicine, and Predation / Part 2: Evidence for the Harvesting of Organs from Prisoners of Conscience,” to appear in our next issue.

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### Notes

[1] The CCP’s Healthcare Committee (保健委, *Bao Jian Wei*) has often maintained a leading organ transplant surgeon as chair or vice-chair since the 1960s. Most recently, Dr. Huang Jiefu has served as chair of the committee ([Phoenix News](#), March 14, 2013). More generally, see: Wen-Hsuan Tsai, “Medical Politics and the CCP’s Healthcare System for State Leaders,” *Journal of Contemporary China* 27, no. 114 (2018): 942–55.

[2] This literature is reviewed in Matthew P. Robertson, “Organ Procurement and Extrajudicial Execution in China: A Review of the Evidence” (Victims of Communism Memorial Foundation, March 10, 2020), 27–30; 32–34, <https://www.victimsofcommunism.org/china-organ-procurement-report-2020>. Specific sources to consult include Susan Trevaskes, “The Death Penalty in China Today: Kill Fewer, Kill Cautiously,” *Asian Survey* 48, no. 3 (June 2008): 393–413; Hong Lu and Terance D. Miethe, *China’s Death Penalty: History, Law and Contemporary Practices* (Routledge, 2009); and Moulin Xiong, “The Death Penalty after the Restoration of Centralized Review: An Empirical Study of Capital Sentencing,” in *Death Penalty in China: Policy, Practice, and Reform*, ed. Bin Liang and Hong Lu (Columbia University Press New York, NY, 2016), 214–46.

[3] Kilgour, David, Ethan Gutmann, and David Matas, *Bloody Harvest/The Slaughter: An Update* (International Coalition to End Transplant Abuse, April 30, 2017). <https://endtransplantabuse.org/an-update/>.

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