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Low Fertility Trap Fears Cloud China’s Release of 2020 Census Data

By Elizabeth Chen

The results of China’s seventh national census were released by the National Bureau of Statistics (NBS) on May 11, after more than a month’s delay. NBS commissioner and deputy leader of the State Council Leading Group for the Seventh National Population Census Ning Jizhe (宁吉喆) announced at a press conference that China’s population was 1.41 billion, marking a slight increase of 72.06 million from the results of the sixth national population census in 2010 ([NBS](#), May 11). The data reflected an average annual growth rate of 0.53 percent, down from 0.57 percent in the previous decade.[1]

Looming over the 2020 census results was a growing sense that the severity of China’s population decline was worse than previously thought. As recently as last December, a paper published by the

government-affiliated China Population and Development Research Center (中国人口与发展研究中心, *zhongguo renkou yu fazhan yanjiu zhongxin*) predicted that China's population would peak in 2027 ([State Council Development and Research Center](#), December 23, 2020). Following the release of census results, even previously bullish experts revised their analyses to predict that China's population would likely decline "as early as 2022" ([Global Times](#), May 11).

Such demography debates are not merely academic. Population decline will have major implications for macroeconomic policy making and development planning. State planners must address a transition away from China's historic booming economic growth, which has been supported by a robust labor market and a long-standing "demographic dividend" (人口红利, *renkou hongli*), to a more mature economy driven by an "talent dividend" (人才红利, *rencai hongli*)—i.e., advances in technology and skilled labor—that can also support growing demands for more social support.

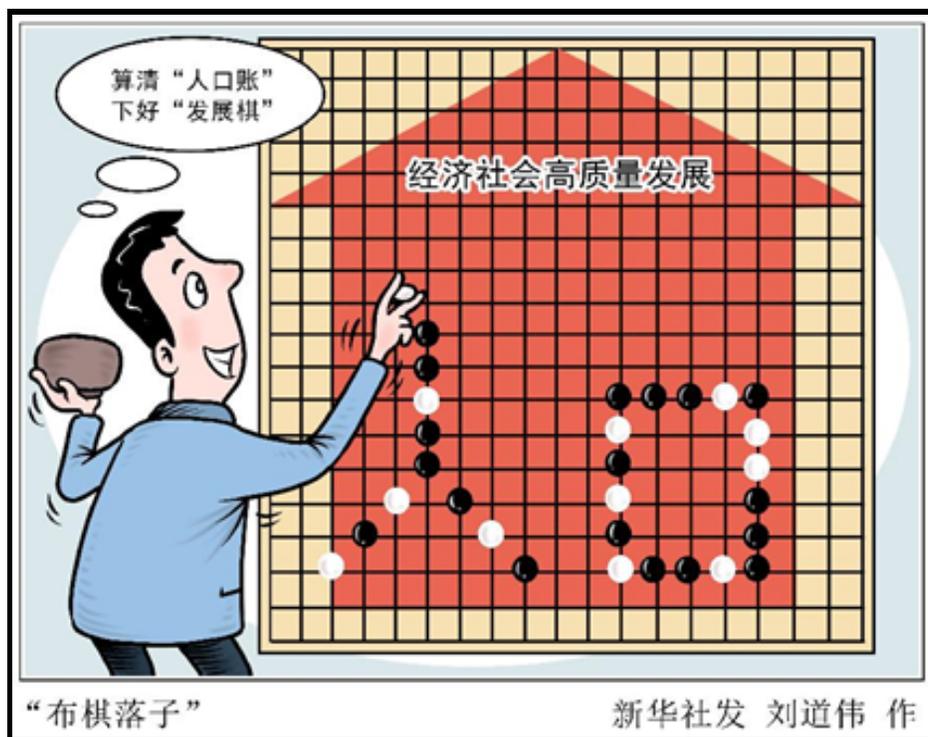


Image: A cartoon captioned “Announcing the Game Results,” with a thought bubble that says, “calculate the ‘population account’ to determine the ‘development game,’” published by the state media agency Xinhua. The image shows an analyst laying out go pieces to spell out the characters for “population” (人口, renkou) against a gameboard with a red arrow labelled “High quality economic and social growth.” (Source: [Xinhua/Liu Daowei](#)).

Census Results

“High Quality” Growth

First, the good news. China’s working population (aged 16 to 59) remained strong at about 880 million, and the average age is relatively young at around 38.8 ([SCIO](#), May 11). Life expectancy continued to increase, and there were improvements in reducing illiteracy (2.67 percent) and increasing educational attainment. China’s infant gender disparities also became slightly more balanced over the last decade, with the sex ratio at birth improving from 1.18:1 (male:female) in 2010 to 1.11:1 in 2020 ([NBS](#), May 11).[2]

Growing Urbanization

Twenty-five out of 31 provinces saw population gains, with Guangdong, Zhejiang, Jiangsu, Shandong and Henan seeing the largest growth ([The Paper](#), May 11). Much of this was driven by growing urbanization and migration to richer eastern regions, while central and northeastern regions saw population declines. The population in the three “rust belt” northeastern provinces of Liaoning, Heilongjiang, and Jilin fell by roughly 10 percent, or around 11 million people ([NBS](#), May 11; [Andrewbatson.com](#), May 12), demonstrating the unevenness of China’s development.

The proportion of the urban population increased by 14.21 percentage points, as China pursued aggressive policies to transfer underutilized rural workers to urban centers under poverty alleviation and economic modernization policies. China’s “floating population” (流动人口, *liudong renkou*)—defined as the population living in provinces outside of their household registration (户口, *hukou*)—increased by a staggering 69.73 percent ([SCIO](#), May 11). Because access to social services is closely tied to residency, the census results further underscore the necessity for hukou reform. China’s urban authorities have begun taking steps to relax residency restrictions, and hukou reform was emphasized as a priority in the 14th Five Year Plan (FYP, 2021-2025) ([South China Morning Post](#), May 13).

Birth Rate Decline

Ning Jizhe reported that China registered 12 million new births in 2020, marking an 18 percent decline year-on-year and a fourth consecutive annual drop, following a slight one-year increase after the relaxation of the One Child Policy in 2016. China’s fertility rate in 2020 was 1.3, far lower than the normal replacement level of 2.1 (last achieved in 1992) and also well below the expected rate of 1.8, leading one researcher to state that “China has fallen into the ‘low fertility trap’” ([Caixin](#), May 11).[3] Ning suggested that the unexpectedly low fertility rate reflected effects from the pandemic. He also pointed to the higher fertility rate for second children and the fact that the number of children aged 0-14 grew by more than 30 million since 2010 as signs demonstrating the success of the relaxation of family planning policies ([SCIO](#), May 11).[4]

Other Chinese demographers were more skeptical of the state’s success in boosting new births after 2016. Chang Qingsong (常青松), a demographer at Xiamen University, explained that “[the] Chinese have

switched from policy-driven birth control to unwillingness to have children” ([Caixin](#), May 17). Likewise, the popular economist Liang Jianzhang (梁建章) argued that low birth rates were both cultural and systemic: “China has the highest child-rearing costs of anywhere in the world, in turn leading to the lowest fertility rates in the world” ([Caixin](#), May 13).

The census press release emphasized that China’s ethnic populations grew by more than ten percent ([NBS](#), May 11)—a fraught claim amid accusations that China has committed genocide and crimes against humanity in the Xinjiang Uyghur Autonomous Region (XUAR). The provincial breakdown reported that the population in the XUAR was 25.8 million, representing an increase of 0.2 percentage points ([NBS](#), May 11). But an independent study by the Australian Strategic Policy Institute (ASPI) based on annual provincial-level data and released on the same day as the seventh national census results found that the birth rate across the XUAR fell by 48.74 percent between 2017 and 2019 following the implementation of “strike hard” campaigns aimed to “reduce and stabilize a moderate birth level” in 2017. (Ethnic minorities had previously benefited from exemptions to national family planning policies.) ([ASPI](#), May 12). On May 13, a Chinese foreign ministry spokesperson complained that the ASPI’s reporting was “anti-China” and questioned its conclusions, saying that “between 2010 and 2018, the Uyghur population in Xinjiang increased by 25 percent” ([PRC Foreign Ministry](#), May 13).

Related to the falling birth rate and growing urbanization, household size also fell below 3 people for the first time in history, which could have significant implications for parenting and elderly care ([Yicai](#), May 12). The demographer Nicholas Eberstadt has argued that the transformation of the Chinese family structure will have broad economic ramifications: “It amounts to a radical change in a society historically defined by the importance of filial ties...It will impose financial burdens on individuals and limit their ability to move and pursue risky entrepreneurial careers” ([Foreign Affairs](#), April 7).

Rapidly Aging Population

The number of people over 60 now accounts for 18.7 percent of China’s population, up 5.7 percent from 2010. The working age population fell by nearly 7 percent during the last decade. Ning Jizhe noted that more than half of the elderly population was aged 60-69 and still healthy enough to contribute to society; policymakers have sought to leverage the labor capabilities of this population by encouraging the (re)employment and support for older workers, as well as launching pilot programs for private pension funds to reduce strain on the national pension system ([Xinhua](#), March 12; [CBIRC](#), May 15). The aging development expert Yuan Xin (原新) was calm but pessimistic when interviewed about the census results. Yuan forecast that China’s elderly population would increase to more than 300 million in 2025 and 500 million by 2050, effectively doubling the current proportion of elderly people. “Population aging is the result of historical laws of population development which cannot be changed” ([Guancha](#), May 11).

Conclusion: Consensus That Wide-Ranging Policy Changes Are Needed

Many of these population problems have long been anticipated by policymakers, but experts debate how best to ameliorate them. In the 14th FYP, Chinese leaders promised to implement a strategy to cope with the problems of low fertility rate and a rapidly aging population, including measures to develop an affordable child care system, reduce childbearing and education costs, and gradually raise the retirement age ([Guancha](#), March 13).

The People's Bank of China (PBOC)—usually more concerned with macroeconomic and monetary policy than demographics—released a working paper in April titled “Understanding China’s Population Transition and Counter-Measures” (关于我国人口转型的认识和应对之策, *guanyu woguo renkou zhuanxing de renshi he yingdui zhice*) calling for the full liberalization of family planning policies and more social programs to boost economic growth ([SCMP](#), April 15). They concluded that policymakers should acknowledge that “China’s population conditions have already changed and the demographic dividends which were once a source of convenience require the repayment of a debt...education and technological progress cannot compensate for the decline in population” ([PBOC](#), March 26). Similarly, the *Global Times* cited the independent demographer He Yafu (何亚福) as saying, “there is no doubt that China will fully lift family planning policy in the near future...[possibly] as early as this autumn during the [Sixth Plenum]” ([Global Times](#), May 11).

Fully liberalizing family planning will not be enough. One expert panel suggested that Chinese state planners must focus on “how to make China more gender-equal and family-friendly society,” with suggestions ranging from increasing maternal/paternal leave, boosting affordable housing and childcare, increasing immigration and investing in technologies designed to help with workplace automation and elder care ([ChinaFile](#), May 6). The popular economist Liang Jianzheng recently made a viral suggestion that the government should offer parents 1 million RMB (\$156,000) for each newborn child, and calculated that the state would have to spend 10 percent of China’s current GDP (in cash grants, tax relief, or housing subsidies) to raise the fertility rate to the replacement ratio of 2.1 ([Caixin](#), May 17). While the details of their suggestions are myriad, experts seem to agree that the state must be proactive and creative in dealing with the end of China’s “demographic dividend.”

Notes

[1] In addition to digitally collecting data for the first time, census takers also took down respondents’ identification numbers for verification purposes for the first time. Citing anonymous sources, the *Financial Times* had earlier reported that the census results would show China’s population had declined in 2020 for the first time since the Great Leap Forward ([Financial Times](#), April 27; [SupChina](#), May 11). NBS published a short statement rebutting the report the next day ([NBS](#), April 29). After the results were released, commentary published in the state tabloid *Global Times* argued that the delay was due to the need to process more abundant data that had been collected digitally. It cited remarks made by the NBS’ chief

statistician Zeng Yuping (曾玉平) saying that the population undercount rate was lower than international standards, and that the seventh census results were “true and reliable” ([Global Times](#), May 11).

[2] The overall sex ratio was 105.07—only slightly changed from 2010 figures. The combined effects of a cultural preference for male descendants and the long-standing One Child Policy (1980-2015) led to a gender imbalance that Chinese health authorities once called “the most serious and prolonged in the world” ([Scientific American](#), January 21, 2015; [Inkstone News](#), January 18, 2019).

[3] The “low fertility trap” is generally thought to occur after a nation’s fertility ratio falls below 1.5 and population decline becomes self-reinforcing.

[4] Critics noted that the census data appeared to show an excess of 14 million children in the 0-14 age group compared with annual birth statistics—although the data mismatch could have been due to a combination of reporting differences in the less-thorough annual statistics, the discrepancy of more than 5 percent led one longtime skeptic to call the 2020 results “the most unreliable census,” suggesting that the data had been artificially adjusted ([Nikkei Asia](#), May 13; see also [AEI](#), May 11).

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Xi Jinping Stresses His Historical Preeminence in Preparation for the CCP Centenary

By Willy Wo-Lap Lam

Introduction

The Chinese Communist Party (CCP) General Secretary Xi Jinping has taken multiple measures to consolidate his position as “core for life” of the CCP leadership in the run-up to the centenary of the party’s establishment on July 1. Firstly, he has firmed up his status as the most authoritative interpreter of CCP history and hence a new helmsman for shepherding the party down the path initiated by Chairman Mao Zedong ([China Brief](#), November 3, 2020). He has redoubled efforts to clamp down on dissent among intellectuals and even former top cadres while also reining in leading private entrepreneurs whose wealth and influence may detract from the all-embracing powers of the party. Finally, Xi, who is also chairman of the Central Military Commission (CMC) that oversees the People’s Liberation Army (PLA), has masterminded a housecleaning of the nation’s military and police forces.



Image: Chinese Communist Party General Secretary Xi Jinping (center) attended the Party History and Education Mobilization Conference in Beijing on February 20, where he delivered the opening speech to “teach the first lesson” (Source: [Xinhua](#)).

Consolidating a Correct Narrative of Party History

A series of official books and journal articles have whitewashed the tyrannical regime of Chairman Mao Zedong and lionized the contributions of Xi, now deemed an equal to Mao in the CCP pantheon. Contrary to former chronicles of party events, the recently published *An Abbreviated History of the Chinese Communist*

Party (中国共产党简史, *Zhongguo Gongchangdang jianshi*) made no reference to the iniquities committed by Mao during the Cultural Revolution (1966-76). Instead, the First Generation leader was given credit for setting the foundation of “socialism with Chinese characteristics” and providing ideological enrichment of the nation with “valuable experience, theoretical preparation and material foundation” during the 1949-1976 period. An account of the nine years under Xi Jinping (2012 to 2021), during which the supreme leader fine-tuned “socialism with Chinese characteristics for the new era,” took up one-fourth of the book ([Radio Free Asia](#), April 30; [CNA.com.tw](#), April 12).

Senior cadres close to Xi have underscored the imperative of wholeheartedly following the “party core’s” dictums by citing examples of how deviant CCP leaders in the 1930s had tried to split the party by challenging the party central authorities (党中央, *dangzhongyang*) led by Mao. In an early May article in the theoretical journal *Seeking Truth* titled “The party’s rise and fall depends on upholding party unity and concentrated and unified [leadership],” the First-ranked Vice Chairman of the National Committee of the Chinese People’s Political Consultative Conference Zhang Qingli (张庆黎) recalled how factionalism and disunity in the party’s history had dealt a body blow to the CCP. Zhang, a former party secretary of Tibet who is seen as close to President Xi, argued that in 1935, one early party leader, Zhang Guotao (张国焘), used the powerful troops under his command to “blackmail the central authorities and to go down the road of splitting the party and the Red Army.” Another “traitor” pilloried by Zhang Qingli was Wang Ming (王明), a protégé of the Soviet Union-backed Communist International (Comintern). Zhang Qingli wrote that Wang tried to use his position as Moscow’s “plenipotentiary” to “refuse to follow orders from the central leadership and severely disrupted the implementation of the correct views of Comrade Mao Zedong and the party central authorities” ([Xuexi.cn](#), May 8; [Qstheory.cn](#), May 1).

The CCP authorities have also kicked off a nationwide campaign to study party history whose goal, in Xi’s words, is “to establish the correct view about the party’s past events.” The Party’s propaganda department released the latest Xi book, titled, *On the History of the Chinese Communist Party* (论中国共产党历史, *lun zhongguo gongchangdang lishi*). Compiling a selection of Xi’s articles and speeches in the past nine years, the book stresses how Xi has made history by mapping out major developmental game plans for socialism with Chinese characteristics in the new era. One previously unpublished article spotlighted Xi’s late 2012 prescription for “realizing the grandiose dream of the great renaissance of the Chinese nation.” Of more relevance to Xi’s power play is his insistence on the right of princelings imbued with the correct view of history “to inherit well the red DNA and to pass on the red *jiangshan* [heaven and earth] from generation to generation” ([People’s Daily](#), April 21; [Ming Pao](#), February 22).

Crackdown on Intellectual Dissent

In the run-up to the centenary of the party’s establishment on July 1 – and a pivotal plenum of the Central Committee slated for October this year – Xi’s inner circle and propagandists are sparing no efforts to bolster the Maoist “one voice chamber” in society. Liberal professors at elite academic units such as the Central

Party School and Tsinghua University have been given gag orders. Last month, the courts upheld a 14-year jail term for Internet activist Niu Tengyu (牛腾宇) for publicizing a picture of Xi's daughter Xi Mingze (习明泽) and Xi's brother in law Deng Jiagui (邓家贵) ([Apple Daily](#), April 24; [Radio French International](#), April 23). More human rights lawyers have been detained and struck off the official registry for legal practitioners ([Radio Free Asia](#), February 11; [VOA Chinese](#), February 8). Even a casual essay by former premier Wen Jiabao in memory of his mother was removed from official and social media after it first appeared in late April in an obscure news outlet in Macau. Wen wrote that “the China in my heart should be a country that is full of justice and righteousness, where there is respect for people’s hearts, humanitarianism and humaneness (人的本质, *ren de benzhi*).” He added that China should be “forever filled with the spirit of youth, liberty and struggle [for improvement]” ([HK01.com](#), April 24; [BBC Chinese](#), April 19). Wen, an advocate of selectively adopting “universal norms,” is well-known for being an opponent of the Maoist values that Xi has embraced.

Targeting Private Sector and Military Power

Despite the Xi leadership’s anxiety to maintain a relatively high rate of growth, the supreme leader has cracked down on a number of top performers in the private sector. More party cells have been installed in the upper echelons of world-famous enterprises such as Alibaba, Tencent and Meituan. These giant companies are deemed potential threats to the CCP’s monopoly on power, particularly if they are backed by party factions not favored by Xi ([VOA Chinese](#), December 15, 2020, [Wall Street Journal Chinese](#), December 14, 2020). Last month, Alibaba was fined 18.2 billion RMB (\$2.75 billion) for allegedly infringing upon the nation’s anti-monopoly laws. The group’s legendary former chairman Jack Ma disappeared from public view for several weeks ([New York Times Chinese](#), April 12; [BBC Chinese](#), April 10). While the prevalent theory for the company’s comeuppance is a speech given by Ma last October that criticized China’s financial regulatory regime, another reason could be Ma’s connection to the so-called Shanghai Faction once led by ex-president Jiang Zemin. For example, Jiang’s grandson Jiang Zhicheng is said to be a major shareholder of the Ant Group, an Alibaba subsidiary whose IPO late last year was apparently stopped on Xi’s orders ([Radio French International](#), February 18; [Ming Pao](#), February 17).

Wang Xing (王兴), the billionaire Chairman of the internet technology (IT) sales platform Meituan, also ran into trouble after Wang posted a Tang Dynasty poem called “Burning the books and burying the scribes” to the company website on May 6, which described the cruel reign of China’s first emperor Qin Shi Huang (259-210 BC). While the censors did not take immediate action, it was widely perceived by even ordinary Chinese investors that the poem could infuriate Xi, who, like Chairman Mao, is considered a fan of Emperor Qin. A few days after Wang posted the poem, the price of Meituan shares dropped by nearly 10 percent on the Hong Kong Stock Exchange ([Deutsche Welle Chinese](#), May 12; [Radio Free Asia](#), May 10).

Given the famous Mao adage about “power growing out of the barrel of the gun,” Xi has also taken out corrupt or disloyal cadres in the People’s Liberation Army (PLA). A March document issued by the PLA Commission for Disciplinary Inspection instructed that all army officers must unquestionably follow the party

leadership's instructions. According to CMC Chairman Xi, soldiers must be "absolutely loyal, absolutely pure and absolutely reliable" ([China News Service](#), March 14). In April alone, at least two senior military-related officers were detained for alleged "anti-disciplinary and illegal" activities, including General Song Xue (宋学), the Deputy Chief of the General Staff of the PLA Navy and Yin Jiaxu (尹家绪), former Chairman of the mammoth arms manufacturer and trader Norinco ([Guancha.cn](#), April 30; [People's Daily](#), April 4). In the past two years or so, numerous members of the top brass were arrested for disciplinary infractions. They included the Deputy Commander of the Strategic Support Force General Rao Kaixun (饶开勋); Political Commissar of the Hainan Military District General Ye Qing (叶青); Political Commissar of the Jiangsu Military District General Meng Zhongkang (孟中康); Deputy Commander of the Ground Forces of the Western Theatre Command General Xu Xianghua (徐向华); and the Chairman as well as the General Manager of the China Shipbuilding Industry Corp., respectively Hu Wenming (胡问鸣) and Sun Bo (孙波) ([Finance.sina.cn](#), May 6; [Caixin.com](#), May 19, 2020; [HK01.com](#), January 1, 2020). The PLA housecleaning has gone hand in hand with a thorough reshuffle of high-level personnel in the Ministry of Public Security and the Ministry of State Security last year.

Conclusion

In addition to being extolled as a master theoretician of finance and economics, foreign policy, and party construction, Xi is also now recognized as the custodian of the "correct view of party history." In a recent national conference on "studying and teaching history," the paramount leader noted that every party member must have "the correct view of party history." "We must establish a mega-historical outlook (大历史观 *dali shiguan*)," urged Xi, with the intent to "explore the laws of history, put forward corresponding strategies and policies, and boost the systemization, foresightedness and creativity of our work." Xi added, "We must further get a grip on the laws and trends of historical development, and seize the historical initiative (历史主动 *lishi zhudong*) in the development of the party and country's enterprises" ([People's Daily](#), April 27). The Beijing-based political scientist Wu Qiang (吴强) told Hong Kong media earlier this year that the CCP will publish a major historical document on July 1. It will "glorify Xi's position as the [party's] uppermost decision-maker" to the extent of "deifying Xi" and turning his teachings into a religion ([Hong Kong Citizen News](#), February 21). Yet by refusing to admit the many grave errors made by the party leadership since 1921—and by praising the dubious tenets of Maoism—Xi runs the risk of ignoring the lessons of the past and committing both the party and state to the wrong side of history.

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China's Bid to Dominate Electrical Connectivity in Latin America

By R. Evan Ellis

Introduction

On March 31, Chilean regulators unconditionally approved the \$3 billion sale of Chile's Compañía General de Electricidad (CGE) to the Chinese state-owned electric utility company State Grid ([InfoBae](#), March 31). The deal follows China Southern Power Grid's 2018 purchase of a 27.7 percent interest in Transelec for \$1.3 billion; China Water and Electric (CWE)'s purchase of Atiaia Energy and State Grid's \$2.23 billion acquisition of Chilquinta Energia, giving Chinese companies control of 57 percent of total electricity transmission in the country ([Transelec](#), March 15, 2018; [CWE](#), June 26, 2018; [La Tercera](#), June 24, 2020; [El Mercurio](#), November 13, 2020).

These acquisitions are part of a broader pattern that has accelerated in recent years, in which companies based in the People's Republic of China (PRC) have expanded their control over Latin American energy generation, transmission and distribution through acquisition and infrastructure construction. China's expanding control may be understood as an additional dimension of its Belt and Road Initiative (BRI), a wide-ranging foreign policy strategy in which the PRC employs the combined tools of statecraft, state-directed finance and state-owned or state-subsidized companies to build physical and other networks within the global economy in ways that serve the accumulation of wealth and power by the Chinese state.

China's advances in electricity infrastructure are consistent with, and complementary to, its better-known building and operation of physical infrastructure such as roads, ports and—more recently—"Digital Silk Road" infrastructure such as telecommunications and e-commerce. Such projects generate business for Chinese companies and banks, facilitate access to markets and products and create leverage for the PRC to advance its commercial interests in other areas.



Brazil's then-Minister of Mines and Energy Fernando Coelho Filho spoke at a groundbreaking ceremony for the Belo Monte-Rio de Janeiro UHV DC transmission line project on September 28, 2017, to be constructed and operated by the China State Grid subsidiary Xingu Rio Transmissora de Energia. (Source: [Sohu](#)).

Chinese Energy Projects in Latin America

With respect to electricity generation, Chinese companies have acquired and built a broad array of hydropower, wind, solar and nuclear projects in the region. Major Chinese hydropower projects in the last decade include:

- At least seven in Ecuador (Coca Coda Sinclair, Toachi Pilaton, Minas San Francisco, Termoesmeraldas II, Delsitansagua, Mazar Dudas, and Quijos);[1]
- Three in Bolivia (Rositas, Misicuni and San Jose);[2]
- Two in Argentina (Nestor Kirchner and Jose Copernic) ([Dialogo Chino](#), March 25);
- Five in Chile, acquired through SPIC's 2017 purchase of Pacific Hydro ([People's Daily](#), February 9, 2017), in addition to the (failed) Hidroayssen project in Patagonia, Chile ([El Mercurio](#), March 11, 2014);
- Two facilities in Peru (Chaglla and San Gaban II) ([El Comercio](#), November 5, 2019; [BNAmericas](#), February 18);
- Two attempted projects in Honduras (Aqua Zarca and Patucha III) ([La Prensa](#), August 12, 2019);
- The Hydroituango project in Colombia ([La Republica](#), February 23, 2017).
- And the failed attempt to build the Amaila Falls facility in Guyana ([Stabroek News](#), September 12, 2012).

In addition to the above list, China Three Gorges spent \$1.2 billion in 2016 to acquire the Brazilian assets of Duke Energy, which included 8 hydroelectric facilities with more than 2 Gigawatts of power ([Duke Energy](#), October 10, 2016).

Regional Chinese wind projects include:

- Goldwind's participation in the three phase Villonaco project in Ecuador ([BNAmericas](#), March 19, 2020);
- Power China and Goldwind's participation in the four-phase Loma Blanca project in Chubut, Argentina ([Xinhua](#), April 29, 2019);
- Hydrochina's construction of a 3 MW windfarm in Cochabamba, Bolivia ([Xinhua](#), January 3, 2014);
- And China State Power Investment Corporation (SPIC)'s acquisition of Zuma energy, with wind and solar projects in four Mexican states ([BNAmericas](#), February 18).

Regional Chinese solar projects include:

- Latin America's largest solar park, Cauchari, in Argentina ([La Nacion](#), September 26, 2020)
- The El Aroma project in Ecuador ([BNAmericas](#), March 19, 2020).

In addition, Chinese solar panel makers such as JinkoSolar have been key suppliers to other projects across the region ([Jinko Solar](#), June 22, 2020). Globally, China supplies around half of all solar panels ([International Energy Administration](#), December 10, 2019).

The Chinese construction of nuclear projects in the region is a relatively recent development, including the experimental Hualong-1 reactor in Argentina's Atucha complex and a bid to build a new reactor for Brazil's Angra nuclear complex ([La Nacion](#), January 22, 2020; [NucNet](#), August 24, 2020).

Apart from these new energy investments, China has also been involved in fossil fuel-based energy generation in Latin America, including acquisitions of gas-fired power plants in the port of Açu in Brazil by State Power Investment Corporation (SPIC) and work on the Jaguar thermoelectric facility in Guatemala and the Martano gas fired generation facility in Colon, Panama—although the latter two projects are currently suspended ([Reuters](#), August 10, 2020; [Kluwer](#), November 6, 2018; [Reuters](#), September 20, 2018).

Constructing Energy Projects: Long-Term Investments & Low-Cost Components

In general, China's advance in electricity generation has benefitted from its capacity for large-scale state financing. China has also leveraged the work of infrastructure construction companies such as China Harbor to gain a competitive edge in bidding for hydroelectric projects in particular. In the wind and solar sectors, China has exploited its ability to combine long-term financing with the supply of relatively low-cost components, often working with European or other system integrators and local partners ([Reuters](#), October 30, 2019).

Case Study: State Grid in Brazil

In electricity transmission, distribution and generation, the PRC has advanced by building facilities and also by acquiring Western companies with Latin American holdings. Chinese companies first began to expand their presence in electricity transmission and distribution on a significant scale in 2010, beginning with the \$1 billion acquisition of seven power firms in Brazil ([China.org](#), August 27, 2010). State Grid then bought the Brazilian assets of the Spanish company ACS in 2012, and later acquired the Brazilian company CPFL through a series of acquisitions, including a \$1.8 billion purchase from Camagro in 2016 (followed by the purchase of \$3.4 billion in stock from the remaining minority shareholders in 2017 ([CPFL](#), accessed May 10; [Reuters](#), [July 1, 2016](#); [November 30, 2017](#)).

State Grid's construction of a 1,578 mile transmission line in 2019 cemented China's expanding presence in Brazil, connecting the new Belo Monte hydroelectric facility to Brazil's southeastern power grid, which supports the economic core of the country ([China Daily](#), November 14, 2019). State Grid currently holds an estimated \$25 billion in assets in Brazil ([China Daily](#), November 14, 2019).

In addition to State Grid's increasing capture of Brazilian electricity generation, Chinese companies have also sought contracts connecting their new hydroelectric facilities in Ecuador, Panama, Peru and Chile. Chinese companies unsuccessfully attempted to build a fourth electricity generation line across Panama in 2019. Notwithstanding this failure, they continue to compete for other transmission projects there ([La Estrella](#), September 5, 2019; [ETESA](#), September 24, 2020). Beginning in 2019, Chinese companies acquired important transmission and distribution assets in Peru in the strategically important greater Lima area, with Yangtze Power's \$3.6 billion acquisition of Luz de Sur from Sempra Energy ([Sempra](#), April 24, 2020). And as already noted, PRC-based companies have acquired 57 percent of the Chile's electricity distribution and a significant portion of its generation and transmission potential through the purchases of interests in Transelec, Atiaia, Pacific Hydro, Chilquinta and CGE.

Impact of Chinese Presence in Latin America's Energy Industry

China's role in electricity generation and transmission in the region allows it to contribute low-cost components and long-term financing for infrastructure expansion, which has arguably played a role in the advance of clean energy and low-cost electricity in general. At the same time, Chinese investments have run into a combination of project difficulties and frequently generated social unrest. In addition, long-term questions about who ultimately benefits from Chinese projects remain, along with growing concerns about the degree of Chinese influence over the region's business, administrative and political dynamics based on its outsized presence in the energy industry.

In the hydroelectric sector especially, Chinese projects have been repeatedly linked to problems with local communities, including protests regarding the displacement of indigenous and other populations from areas

facing flooding and other damages. Notable examples include violent protests associated with the Aqua Zarca and Patuca III hydroelectric projects in Honduras, Rositas and Misicuni in Bolivia and Hidroaysen in Chile ([BBC](#), March 3, 2017; [El Heraldo](#); [Monogabay](#), January 20, 2020; ([La Razon](#), July 30, 2015 [UChile Radio](#), March 14, 2012).

Across the board, Chinese electricity projects have had a striking record of problems. Indeed, of the Chinese hydroelectric projects mentioned in this article, almost every construction project has been associated with social conflicts, significant delays and questions of defects, with the PRC-based partner withdrawing or being removed from several projects. The otherwise pro-Chinese government of Rafael Correa in Ecuador fined China Water and Electric \$3.25 million for falling behind on the Toachi Pilaton project in 2015 ([El Comercio](#), February 15, 2015). Regarding a separate incident in January 2016, Ecuador found China National Electrical Engineering Corporation to be in non-compliance with its contracted work on the Mazar Dudas and Quijos facilities and blocked it from further contracts with the state ([El Comercio](#), January 18, 2016). Most recently, poor engineering on the Chinese Coca Coda Sinclair project in Ecuador—already plagued by numerous defects—led to rapid and significant shifts in the Coco river that produced dangerous erosion and forced the closure of one of the country’s main export-oriented oil pipelines ([BBC](#), February 25, 2019; [El Comercio](#), July 18, 2020).

Conclusion

The PRC’s continued focus on clean energy, transmission and distribution technologies, however obtained, with the support of Chinese financing partners and the government, makes it likely that PRC domination of the sector will only broaden. The combination of Latin American fiscal constraints and economic needs exacerbated by Covid-19 further contributes to the likelihood of a Chinese advance, with cash-strapped countries now more likely to agree to Chinese-financed projects on terms that they might have rejected in better days. The continued weakness of the Latin American market also increases the likelihood that Western companies will continue to sell off their Latin American assets to concentrate on more familiar domestic markets or the more lucrative Asian market, as they did following the 2008 financial crisis.[3]

Perhaps of greatest concern is that the PRC’s move toward a dominant position in electricity generation and transmission, including new clean energy and transmission technologies, positions it to support commercial advances elsewhere and capture an increasing share of value added across an array of strategic sectors in the region. The PRC has a track record of using regulation and other tools to limit foreign companies’ access to its own domestic markets, while simultaneously leveraging its dominant market position in certain sectors to help Chinese companies expand globally. For example, the PRC used Brazil’s need for Chinese-made Covid-19 vaccines to secure a place for itself in the nation’s 5G telecommunications auction ([New York Times](#), January 15). China’s role as an major regional electricity supplier could help support PRC-based companies in the future, allowing China to reward collaborators and undercut adversaries or competitors by making strategic choices regarding the supply of electricity and the construction of critical infrastructure.

Electricity is key to almost every dimension of Latin America's economies, and will be key to the region's development of technology-intensive economic growth. China's ever-expanding position in the sector merits continued vigilance as yet another "double edged" sword of its Belt and Road engagement, facilitating economic activities in the region in ways that ultimately steer global flows of wealth to its advantage.

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Notes

[1] R. Evan Ellis, "Ecuador – Leveraging China to Pursue an Alternative Political and Development Path," *Air & Space Power Journal en Español*, 3rd Trimester, 2019, https://www.airuniversity.af.edu/Portals/10/ASPJ_Spanish/Journals/Volume-30_Issue-4/2018_4_05_ellis_s_eng.pdf.

[2] R. Evan Ellis, "Chinese Engagement with Bolivia - Resources, Business Opportunities, and Strategic Location," *Air & Space Power Journal en Español*, 2nd Semester 2016, http://www.airpower.au.af.mil/apjinternational/apj-s/2016/2016-2/2016_2_03_ellis_s_eng.pdf. Pp. 3-19.

[3] R. Evan Ellis, "Covid-19 acelerará avance de China en un mundo más desconfiado: Proyecciones para América Latina," *RedCaem*, June 1, 2020, <http://chinayamericalatina.com/covid-19-acelerara-avance-de-china-en-un-mundo-mas-desconfiado-perspectivas-para-america-latina/>.

Sustaining China's Sovereignty Claims: The PLA's Embrace of Unmanned Logistics

By Eli Tirk and Kieran Green

Introduction

The Chinese People's Liberation Army (PLA) has tested the use of unmanned vehicles (UAVs) to perform logistical missions such as transportation and resupply since 2018. In academic explorations of border defense and logistics modernization, PLA logistics officers argue that UAVs can dramatically increase the efficiency of the PLA's supply chain in addition to improving the military's ability to supply forces operating in hostile environmental conditions or in contested areas. Such advantages could provide an important advantage to China as it seeks to bolster its military presence in areas of potential crisis such as Tibet, Xinjiang, and the South China Sea.

PLA troops operating in these areas must ensure that their supply chains are robust enough to function in the event of a border skirmish, and at the same time often negotiate difficult or inhospitable terrain. Under normal circumstances, maintaining and expanding operations in these areas would require significant applications of manpower and transportation resources to keep forward-deployed troops well-supplied and in fighting shape.

For these reasons, the authors predict that PLA troops stationed in border regions are likely to serve as early adopters for logistics UAV technology. The introduction of UAVs has the potential to enable the PLA to expand its presence and solidify control along China's periphery with a comparatively minimal expenditure of logistical resources. UAV deployment in these areas would have significant strategic and operational implications, strengthening China's contested territorial claims by enabling the PLA to improve its operational tempo and logistics capability.



Image: A media report highlighted the food and medical aid supply capability of logistical UAVs to support PLA border operations, including accompanying screenshots showing swarm technology and rescue operations using drone technology. (Source: [QQ](#)).

Mapping the PLA's Use of Logistics UAVs

According to available reports, the PLA began publicly field-testing UAVs in transportation and resupply roles in early 2018 (see Figure 1).^[1] Nearly all of the exercises employed the same baseline scenario: using UAVs to deliver a small quantity of supplies to forward-deployed troops in austere operating environments.

Date	Participating Entity	Notes
January 2018	PLAAF Logistics Department operating in the Central TC.	Elements from the PLAAF partnered with the civilian logistics company Shunfeng Express (顺丰顺丰速运) to undertake a joint exercise focused on the use of logistics UAVs (PRC Ministry of Defense , February 2, 2018). The exercise consisted of two scenarios: using a UAV to air drop supplies to a simulated damaged radar station, and the delivery of medical supplies to wounded forward-deployed troops.
July 2019	National Defense University Joint Service College	Researchers performed an exercise using a “large unmanned transport aircraft” (大型无人运输机) for a long-range resupply mission (Xinhua , July 9, 2019).
July 2020	PLA Army Service Academy	Troops attached to the academy conducted a pilot exercise simulating the use of UAVs alongside powered exoskeletons to deliver supplies to a forward area under artillery fire (China Military Online , July 25, 2020).
July 2020	N/A	PLA units undertook an exercise using UAVs to deliver medical supplies in high-altitude plateau areas (ST Daily , July 9, 2020).
September 2020	PLA Navy units operating in the Southern TC	PLA Navy troops used more than 20 drones as part of an exercise simulating the resupply of troops stationed in “mountainous island areas.” (CCTV , September 16, 2020)
November 2020	PLA Army units stationed in Tibet MR	PLA units conducted an exercise using 9 drones to simulate the delivery of food supplies to troops under artillery fire (China Military Online , November 9, 2020).
November 2020	PLA Air Force units operating in the Central TC	PLAAF units conducted an exercise using UAVs to air-drop ammunition and medical supplies (China Military Online , November 3, 2020).

Figure 1: Timeline of Logistics UAV Deployment

Unmanned Logistics Bolster the PLA's Operational Stance in Border Areas and Beyond

The PLA's increasing use of UAVs in transportation and resupply missions is the result of a number of operational and strategic considerations. At the strategic level, employment of UAVs at scale - in conjunction with other "smart" technologies such as AI, cloud computing, and IoT technology - will enable the PLA to dramatically increase its supply chain efficiency reducing wastage and human error.[2] At the operational level, employment of UAVs enables troops to be resupplied more quickly and with less risk to human personnel, especially in especially challenging or hazardous operational environments. So far, the PLA's functional deployment of logistics UAVs appears limited; most missions entail moving small amounts of supplies to squad or platoon-sized units. However, PLA theoreticians regard even these limited deployments as having the potential to significantly strengthen the PRC's strategic position in select areas such as border regions.[3]

Writings produced by PLA academics as well as high-ranking officers provide additional context detailing how they might employ UAVs to gain an advantage in complex operating environments. Liu Wanlong (刘万龙), the commander of the Xinjiang Military District, claims that UAVs could solve the PLA's need for more reliable logistics connections to border defense posts, particularly those in mountainous regions where resupply is frequently cut off due to inclement weather shutting down mountain passes.[4] He contends that large transport UAVs should be developed to supply border defense outposts when winter conditions shut down mountain passes.[5]

This argument reflects the positive outcomes of exercises and pilot programs currently being conducted in border regions. In October 2020, for example, a Ministry of Defense (MOD) spokesperson confirmed that UAVs were being used to supply hot food to border defense patrols operating at high altitudes. The spokesperson added that logistical support capabilities are the most important determinant for allowing soldiers to be deployed in high-altitude localities over extended periods of time ([China Daily HK](#), October 30, 2020). Throughout 2020, press releases and news reports concerning multiple PLA ground forces exercises in Tibet have specifically mentioned that the usage of unmanned systems was intended to address the difficulty of supplying troops operating in hard-to-reach areas and at high altitudes ([China Military Online](#), November 9, 2020). One release stated that an exercise was intended to explore the concept of a 'new model three dimensional delivery and supply' (素空立体投送补给新模式, *su kong liti tou song buji xin moshi*) that the PLA hopes will enable more robust operations in complex battlefield conditions ([China Military Online](#), November 9, 2020). Another, concerning an exercise wherein blood for transfusions was delivered by quadcopter, stated that UAVs enhance the PLA's ability to provide logistical support to units operating in harsh conditions at the altitudes of the Tibetan plateau ([ST Daily](#), July 9, 2020).

UAVs will likely play an increasingly prominent role in supplying PLA troops stationed in complex operational environments. In a 2018 journal article, the director of the National Defense University's Joint Logistics Services Studies Department argued that unmanned resupply by small- to medium-sized drones has clear

applications not only for mountain operations but also for supplying island bases and special operations forces.[6] He also stated that such drones can carry out delivery missions to areas that are irradiated or otherwise compromised by biological or chemical contaminants.[7] A press release from a 2020 exercise in the Central Theater Command using UAVs to supply frontline troops with ammunition and deliver medical supplies to a field hospital reference the ability to sustain continuous airborne operations and supply units in remote and hard to reach areas. The commander of the airborne battalion involved in this exercise was quoted as saying that "In future battlefields, unmanned systems will play a positive role in improving situational awareness, reducing the burden on soldiers and strengthening the troops' [sic] support capability and maneuverability..." ([China Military Online](#), November 3, 2020). PLA Navy accounts of recent exercises to supply remote radar stations in the Southern Theater Command also emphasize that the drones involved are able to supply these bases during times when more traditional means would be blocked by hazardous weather or natural disasters ([CCTV](#), September 16, 2020).

Conclusion and Implications: The Future of the PLA's Logistics UAV Program

The PLA has increasingly utilized UAVs to undertake small-scale resupply missions, and it may use UAV technology to boost the tempo of operations along the PRC's border regions. The PLA's increasing use of UAVs may be an early indicator that it plans to eventually employ UAVs in a wider range of missions. Several PLA high ranking logistics officers have advocated the utility of deploying UAVs alongside IoT technologies to create an "intelligentized" (智能化, *zhineng hua*) supply chain. Such a system would enable PLA logistics officers to better anticipate demand and optimize their supply chain accordingly.[8] In the meantime, a number of other indicators could help observers to gauge the degree to which the PLA has incorporated UAVs into its supply chain. These include:

- Explicit statements from PLA leaders indicating that employment of logistics UAVs has enabled them to increase their operational tempo in border areas, or otherwise improve their combat effectiveness.
- Formal drafting and adoption of military technical standards governing the employment of UAVs in transportation and resupply missions.
- The issuance of formal guidance from the Logistics Support Department of the CMC to corps, divisional, or brigade-level commanders on the use of logistics UAVs.
- Employing UAVs alongside other "intelligentized" technologies such as IoT and artificial capabilities to undertake transportation and resupply missions.
- PLA Joint Logistics Support Force troops employing the use of logistical UAVs in large scale joint exercises, or other major displays such as military parades.

These goals appear to be largely aspirational in nature for now. The Logistics Support Department of the Central Military Commission has yet to issue formalized guidance laying out operational standards for the deployment of logistics UAVs ([China Military Online](#), November 9, 2020). Moreover, PLA commentators have

noted that as of 2018, there was no definitive guiding document dictating how the PLA should go about constructing an “intelligentized” supply chain.[9] It is possible that new military logistics regulations 《军队后勤条令》 (*Jundui Houqin Tiaoling*), issued on January 1, 2021, may shed light on how the PLA plans to expand the use of logistics UAVs ([China Military Online](#), January 21, 2021), although the content of these regulations remain unknown. Until further details or indicators of large-scale adoption emerge, the PLA will likely continue to unevenly reap the benefits of unmanned resupply to strengthen its position along China’s borders in an experimental or low-volume capacity.

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Notes

[1] While these are the first publicly confirmed examples and are referred to by official news outlets as the first exercise, it is likely that other undisclosed testing was conducted prior to this.

[2] Li Ruixing (李瑞兴), “Accelerate the Development of PLA's Unmanned Intelligent Support System (加快推进我军无人智能化保障体系建设),” *China Military Science* (中国军事科学), Volume 3, June 2018, pp. 65.

[3] Liu Wanlong (刘万龙), “Implement Xi Jinping’s Strategic Thought On Revitalizing The Military Science and Technology and Build A Strong, Well-Structured & Modern Border Defense (贯彻习近平科技兴军战略思想建设强大稳固的现代边防),” *China Military Science* (中国军事科学), Volume 1, February 2018, pp. 22.

[4] Liu Wanlong, February 2018, pp. 22.

[5] Ibid.

[6] Li Ruixing, June 2018, pp. 62.

[7] Ibid.

[8] Yan Zhensheng (闫振生), Liu Yuping (刘玉萍), and Zhang Xuehui (张学辉), “Extensive Employment of Unmanned Combat Platforms on Land Battlefield (无人作战平台广泛运用对陆战场的影响),” *China Military Science* (中国军事科学), Volume 3, June 2018, pp. 56.

[9] Li Ruixing, June 2018, pp. 65.

Sino-Australian Relations and the Bumpy Road to the G7 Summit

By Patrick Triglavcanin

Introduction

The Chinese-born Australian journalist Cheng Lei (成蕾) was formally arrested by the People's Republic of China (PRC) in early February after having been detained for six months in Beijing. Her arrest was confirmed by the PRC on February 8, with Chinese foreign ministry spokesperson Wang Wenbin (王文斌) stating that Cheng would face criminal charges for “illegally providing state secrets to foreign forces,” and that Chinese judicial authorities would “handle the case in accordance with law and fully protect her rights” ([PRC Ministry of Foreign Affairs](#), February 8). China's criminal conviction rate is above 99.9 percent ([China Justice Observer](#), November 16, 2020). According to a statement issued by Australian Foreign Minister Marise Payne, “The Australian Government has raised its serious concerns about Ms. Cheng's detention regularly at senior levels” ([Foreignminister.gov.au](#), February 8) and Australian Embassy officials have visited Cheng regularly since her detention in August.

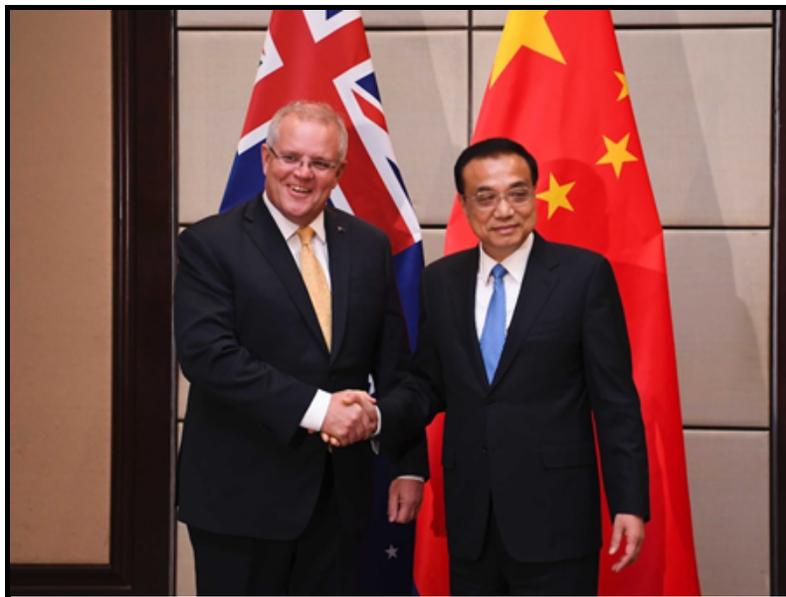


Image: Australian Prime Minister Scott Morrison and Chinese Premier Li Keqiang met in Bangkok, Thailand ahead of the East Asian Summit in November 2019. Diplomatic relations, already tense over Australian concerns of Chinese influence in domestic politics and China's defensiveness in response to Australia's outspoken criticisms of Chinese human rights abuses, took a significant downturn in 2020. (Source: [ABC](#)).

Background

Cheng's arrest comes amid strained diplomatic ties between China and Australia that have carried over from last year, with tensions rapidly escalating after Foreign Minister Payne's call in April 2020 for an international investigation into the origins and spread of the coronavirus pandemic ([Australian Foreign Minister](#), May 18, 2020). Australian-Chinese bilateral trade was heavily impacted by the deteriorating political relationship and trade issues continue to dominate in the ongoing feud. End of year statistics from the PRC General Administration of Customs (GAC, 中华人民共和国海关总署, *zhonghua renmin gongheguo haiguan zongshu*) showed that China's imports of Australian goods declined by 5.3 percent year-on-year in 2020, compared to a year-on-year increase of 14.8 percent in 2019 ([GAC](#), January 14, 2020; January 14).

This decline should have been worse; the Australian Bureau of Statistics (ABS) reported that soaring iron ore prices at the end of 2020 saw Australia's export of metalliferous ore to China actually increase by 25 percent in December 2020, boosting overall exports ([ABS](#), January 25). In 2021, Australian exports of metalliferous ore to China fell by 12 percent in February and rose by 15 percent in March. China accounted for 75 percent of all Australian iron ore exports in the March 2021 release of trade statistics, boosting total exports by 2 percent year-on-year ([ABS](#), March 24). It's worth mentioning that these numbers could potentially understate the impact of the trade dispute on the Australian economy in the long-term; as will be discussed later in this article, China has been working to diversify its key imports from Australia, including liquid natural gas (LNG) and coking coal ([SCMP](#), May 12; [World Coal](#), February 10).

Cheng's arrest, in combination with this year's preliminary trade and people-to-people statistics, provides hard evidence of the ongoing deterioration in Sino-Australian relations beyond the headline-making political disagreements. This article takes a detailed look at the numbers underlying the bilateral relationship to analyze how recent developments could preclude further decline or improvement in the second half of 2021.

A Loss of Media Presence Amid Weakening Diplomacy

Following the start of diplomatic relations in 1972, Sino-Australian relations emphasized cordial and constructive engagement for decades: Australia's abundant natural resources fuelled China's rapid economic growth, and China's growing consumption of luxury goods boosted Australia's economy in return. At the same time, Australia's increasingly close ties to the United States following the end of the Cold War have led it to be a staunch defender of the liberal world order, which China has increasingly sought to reshape.

In general, Australia follows the U.S. approach to China; Canberra's security concerns in the Indo-Pacific in particular are closely tied to Washington's policy, and its state identity more broadly is intrinsically linked to the values of liberal democracy.[1] As American perceptions of China as a "strategic competitor" have solidified, Australia also increasingly views China's rise as something to resist. This attitude has seen Australia enthusiastically (re)commit to the revived Quadrilateral Security Dialogue with the U.S., India and Japan; ban the Chinese telecommunications company Huawei from participating in national 5G networks;

enact foreign interference laws widely seen as aiming to counter Chinese influence and accelerate its \$1 billion AUD (\$762,540,000) U.S.-assisted Sovereign Guided Weapons Enterprise to counter China's security manoeuvres in the Indo-Pacific.

Before her arrest, Cheng was a success story for Australian soft power inside the PRC; she was a famous presenter on the state-affiliated China Global Television Network (CGTN, 中国环球电视网, *zhong guo huan qiu dian shi wang*) and a self-proclaimed "passionate orator of the China story" ([China Digital Times](#), August 31, 2020). Following her abrupt disappearance in August 2020, the Australian journalists Bill Birtles and Michael Smith were questioned by state security services in connection with the Cheng Lei case, prompting them to leave the PRC in September 2020. ([ABC](#), September 7, 2020).

Today, Australia no longer has an accredited media presence inside China for the first time since 1973, marking the end of a key channel for engagement amid rapidly declining state relations. The *Sydney Morning Herald's* Eryk Bagshaw argues that the loss has visibly hurt the quality of Australian reporting on China: "Chinese propaganda voices are being elevated...the weight of coverage has shifted to the economic consequences of Australia's policy decisions and there is limited visibility" of domestic Chinese issues ([Sydney Morning Herald](#), May 3).

Education Migration 'Down Under' Less Attractive

Bilateral ties had been supported by decades of strong Chinese immigration to Australia. According to the latest census data, around half a million China-born people lived in Australia in 2018.[2] But Australia's longstanding attraction to Chinese migrants has rapidly waned; amid the deteriorating diplomatic relations, both sides have issued travel warnings about the risks of traveling to each other's countries ([Australian Department of Foreign Affairs and Trade Smartraveller](#), February 9; [PRC Ministry of Foreign Affairs Consulate Service](#), July 13, 2020). Additionally, harsh pandemic border restrictions have effectively frozen travel to Australia, further stymieing tourism, education, and other people-to-people ties.

According to the Australian Department of Education, 211,965 of the 765,636 students studying in Australia in 2019 were of Chinese nationality, but these numbers fell by 10 percent over the course of 2020. Even after this change, Chinese students still made up more than a quarter of all students studying in Australia (Internationaleducation.gov.au [1], [2], accessed May 13). But amid potential rising anti-Asian hate in Australia, the Chinese Communist Party (CCP) has discouraged its citizens from studying in Australia. The PRC Ministry of Education released a statement on February 5 warning of anti-Asian discrimination and "successive vicious incidents" against Chinese students in Australia, and urged Chinese students to "fully conduct safety risk assessments" before traveling to Australia ([PRC Ministry of Education](#), February 5).[3] The ABS has reported that Chinese citizens were the largest group departing Australia in January, February and March this year, with slightly over a fifth of all international departees on temporary student visas ([ABS](#), April 20, March 17).

One recent study found that Australia's strong Chinese student population supported 259,199 full-time local jobs in 2018.[4] The negative trend in Sino-Australian educational exchanges will have a major economic impact. So long as Sino-Australian relations continue to decline, it seems unlikely that this situation will improve. According to a report this year issued by a Chinese education consulting company, Chinese students are increasingly preferring to study abroad in the United Kingdom (UK) or the U.S. over Australia (EIC Education, March 25).



Image: Top 12 destinations for Chinese students according to EIC Education's 2021 China Study Abroad White Paper, in descending order: UK, U.S., Australia, Canada, Hong Kong, Japan, Germany, Singapore, the Netherlands, France, New Zealand, and South Korea. (Source: [EIC Education](#)).

Toward Re-coupling or Further Diversification?

As mentioned earlier, the Australian economy took a significant hit as relations with China declined in 2020. China reduced Australian imports of beef, barley, cotton, copper, coal, timber and wine last year, among others.[5] High iron ore prices combined with China's strong demand mitigated what would have otherwise been poor bilateral trade figures in 2020.

By the mid-point of 2021, China's efforts to reduce its dependence on critical energy supplies from Australia appear to have had limited success. Even as China doubled its year-on-year imports of LNG from Russia up to 5.1 million tons in 2020, 43 percent of China's imported LNG continued to come from Australia.[6] But in January and February just 35 percent of China's LNG imports came from Australia,[7] and the CCP has

made the further diversification of energy sources a key priority in its 14th Five Year Plan (FYP, 2021-2025) ([PRC Ministry of Commerce](#), January 28; [Xinhua](#), March 13).

China's diversification of non-energy commodities such as barley has been more successful. After an 80.5 percent anti-dumping duty was imposed on Australian barley imports in May 2020, the grain all but stopped reaching Chinese shores ([SCMP](#), November 17, 2020). China's barley imports from Canada, France and Argentina all increased significantly last year, with year-on-year gains of 38 percent, 46 percent and 490 percent respectively in 2020.[8] Canberra's decision in December 2020 to appeal China's barley tariff at the World Trade Organisation will likely incentivize China to continue diversifying its sources of the grain.

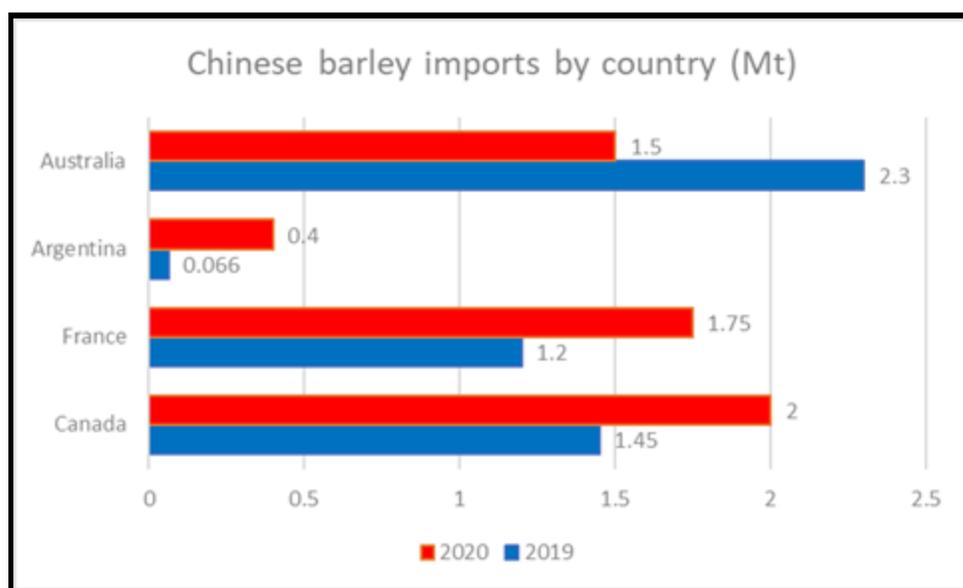


Image: China's diversifying barley imports. (Source: Author's research using GAC statistics).

China has also worked to diversify its sources of coking coal since unofficially banning Australian imports in October 2020.[9] While China can produce sufficient amounts of thermal coal for its domestic power generation needs, it imports the majority of the higher quality coking coal used in steelmaking. American imports have seen a large surge, with 575,000 tons sold to China in January and February, an increase of 550 percent from the same period last year.[10] This trend will likely continue as China looks to diversify coking coal sources away from the Australian market and meet its target of importing an additional \$52.4 billion worth of energy products from the U.S. by the end of 2021 under the U.S.-China Phase One trade deal signed in January 2020 ([USTR](#), January 15, 2020). Even though Chinese iron ore imports over the last year have led to what one analyst recently called "one of the most incredible transfers of wealth between the pockets of the Chinese and Australian government" ([SCMP](#), May 18), China's interest in the Simandou mine in south-eastern Guinea, which holds an estimated 2.4 billion tons of medium to high grade iron ore, should worry Australian politicians: access to the reserves would lessen China's reliance on Australian iron, taking away a source of leverage that has so far remained steady ([Mines.gov.gn](#), accessed May 18).

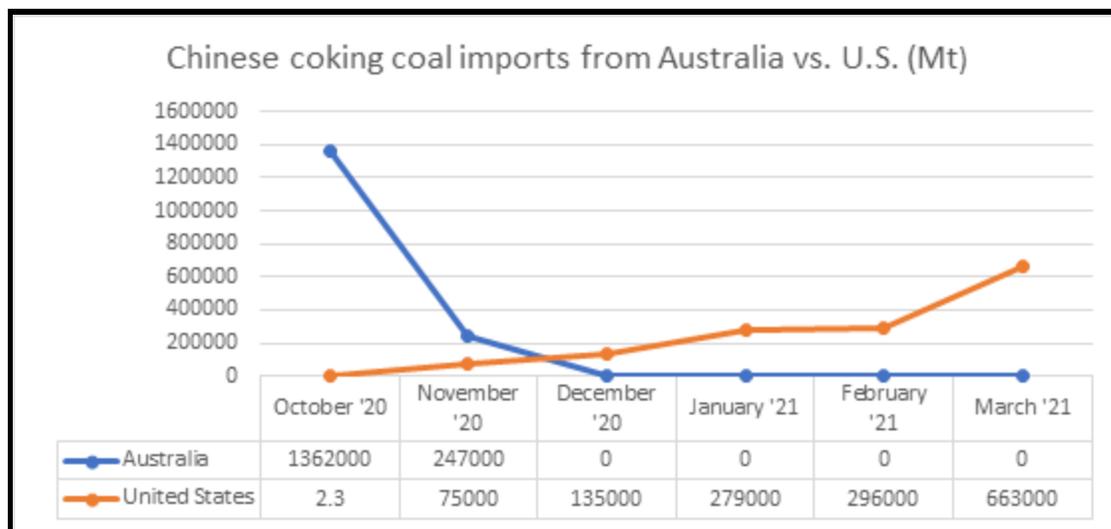


Image: China’s coking coal imports by metric ton from Australia and the U.S., following the imposition of unofficial bans on Australian coal in October 2020. Source: Author’s research based on GAC statistics.

There are rare signs for improving Sino-Australian trade in 2021. Following the upgrade of a 2008 free trade agreement (FTA) between China and New Zealand on January 26, Australia was also given the opportunity to expand upon its existing FTA with China, although nothing has come of this so far ([SCMP](#), January 26). Additionally, following the signing of the Regional Comprehensive Economic Partnership (RCEP) on November 15, 2020 and China’s ratification of the deal during annual legislative meetings in March ([Xinhua](#), March 8), Australia is expected to ratify the deal in late 2021 ([DFAT](#), accessed May 18). Doing so could send a strong signal about Australia’s willingness to prioritize its economic relationship with China over political disagreements.

Other signs are grimmer. Despite some hopes for a reset in trade relations from the new Australian Trade Minister Daniel Tehan in January, the two sides have so far failed to hold high-level talks ([ABC](#), January 22). China’s decision to officially impose import duties between 116.2 and 218.4 percent on certain Australian wines at the end of March led the Australian Ambassador to China Graham Fletcher to label China an “unreliable ... trading partner” ([SCMP](#), [The Australian](#), 26 March). In late April, Foreign Minister Payne announced Australia’s decision to end a Belt and Road Initiative (BRI) memorandum of understanding between the Victorian state government and China. The Chinese Embassy in Australia expressed its “strong displeasure” at the decision, while the Chinese state media agency Xinhua called this a “stark disregard for the spirit of contact [that] has put Australia’s credibility into question” ([PRC Embassy in Australia](#), April 21; [Xinhua](#), April 22). About two weeks later, China’s powerful National Development and Reform Commission announced that it had decided to “indefinitely suspend all activities” under the framework of the China-Australia Strategic Economic Dialogue ([PRC Embassy in Australia](#), May 6).

Conclusion

At the beginning of this year, the Morrison government began to openly speak of its desire for constructive engagement with China, and Chinese officials also echoed this desire ([PRC Ministry of Foreign Affairs](#) December 18, 2020; [Prime Minister of Australia](#) February 1). At the same time, diplomatic spats have continued, and both sides have failed to take advantage of opportunities for improving engagement even as China has begun to diversify some of its most critical imports from Australia. In addition to reports of growing anti-Chinese racism, Sinophobia is also rife within Australian politics: after cancelling Victoria's BRI agreement, the Australian government has begun reviewing a Chinese company's 2015 lease agreement on the Port of Darwin ([SCMP](#), May 4). High-level national security officials have increasingly warned of a possible military confrontation with China, even as Foreign Minister Payne said this week that Australia is ready to resume dialogue with China "at any time" ([ABC](#), April 26; Sydney Morning Herald: [May 3](#), [May 14](#)).

Australia, along with South Korea and India, has been invited to attend the upcoming Group of Seven (G7) summit in June, hosted by the UK. European members, particularly France and Italy, have argued against these invitations, saying that they do not want the G7 to turn into a broad 'anti-China' coalition ([Global Times](#), February 10). China has previously indicated its sensitivity toward expanding the grouping ([China Brief](#), March 25). Regardless, topics concerning Chinese economic coercion, labor violations, forced technology transfer, etc. will likely be discussed at the summit. The event could provide a highly visible opportunity for the Morrison government to demonstrate that Canberra is ready to make concrete actions toward rapprochement in 2021. More likely, it will serve as a staging ground for Australia to publicly criticize China amongst its democratic peers and signal to Beijing that Canberra is not prepared to actively repair Sino-Australian ties, something that would ensure relations continue to deteriorate in 2021.

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Notes

[1] This strategic alignment has led nationalistic Chinese commenters such as the state tabloid Global Times to frequently refer to Australia as America's "pawn" (爪牙, *zhaoya*) and "attack dog" (Global Times, [May 15, 2020](#); [December 9, 2020](#)).

[2] See: "China-born Community Information Summary," Department of Home Affairs, 2018, <https://www.homeaffairs.gov.au/mca/files/2016-cis-china.PDF>.

[3] For potential rising anti-Asian hate in Australia, see: Natasha Kassam and Jennifer Hsu, “Being Chinese in Australia: Public opinion in Chinese communities,” Lowy Institute, March, 2021, <https://interactives.lowyinstitute.org/features/chinese-communities/topics/who-did-we-survey>.

[4] James Laurenceson and Michael Zhou, “COVID-19 and the Australia-China Relationship’s Zombie Idea,” ACRI University of Technology Sydney, May, 2020, pp. 9, <https://www.australiachinarelations.org/content/covid-19-and-australia-china-relationship%E2%80%99s-zombie-economic-idea>.

[5] For discussions of the China-Australia trade dispute, see: Scott Waldron and Zhang Jing, “Chinese Tariffs on Australian Wine in 2020: The Domestic Drivers of International Coercion,” Future Directions International, February 23, 2021, <https://www.futuredirections.org.au/publication/chinese-tariffs-on-australian-wine-in-2020-the-domestic-driver-of-international-coercion/>; Greg Hull, “Too Many Eggs in the Dragon’s Basket? Part One: Australia’s Reliance on Exports to China,” Future Directions International, October 27, 2020, <https://www.futuredirections.org.au/publication/too-many-eggs-in-the-dragons-basket-part-one-australias-reliance-on-exports-to-china/>; Greg Hull, “Too Many Eggs in the Dragon’s Basket? Part Two: Australia’s Reliance on Exports to China,” Future Directions International, January 21, 2020, <https://www.futuredirections.org.au/publication/too-many-eggs-in-the-dragons-basket-part-two-diversifying-australias-export-base-2/>; Saheli Choudhury, “List of the Australia exports hit by restrictions in China,” CNBC, December 17, 2020, <https://www.cnbc.com/2020/12/18/australia-china-trade-disputes-in-2020.html>.

[6] This statistic has been calculated by the author using figures provided by the PRC General Administration of Customs (中华人民共和国海关总署, *zhonghua renmin gongheguo haiguan zong shu*).

[7] Ibid.

[8] Ibid.

[9] Ibid.

[10] Ibid.
