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"Changes Unseen in a Century": Seeking American Partnership in US Decline



The flags of the United States and the People's Republic of China in Washington, D.C. (Source: People's Daily)

In his opening remarks this week to US President Joe Biden, Xi Jinping said "The China-US relationship, which is the most important bilateral relationship in the world, should be perceived and envisioned in a broad context of the accelerating global transformations unseen in a century" (Youtube.com, November 15). Xi's remarks highlighted an important Chinese Communist Party (CCP) assessment—often translated as "changes unseen in a century" (百年未有之大变局)— that is an invitation to President Biden participate in shepherding the United States in its decline. [1] By setting the US-China relationship in these terms, CCP General Secretary Xi is saying that the relationship can be stabilized and deliverables like those finalized at the summit can come, but only if the United States accepts the inevitability of its decline and Beijing's reshaping the global order. Only by accepting what the Party means by "changes unseen in a century" do the CCP's intentions for the US-China relationship become clear.

The assessment of "changes unseen in a century" incorporates opportunities and risks in what Beijing sees as the way in which the international system is changing. The opportunity is that the balance of power or center of gravity in global affairs is shifting from the Atlantic to the Pacific as the world becomes more multipolar (Xinhua, December 28, 2017). In Xi's report to the 20th Party Congress, he said that scientific, technological, and industrial transformations were underway and that these already had shifted the international balance of power (<u>FMPRC</u>, October 25, 2022). Alongside multipolarity, economic globalization continues to be a powerful—or, in Xi's words, "irreversible"—trend that shapes international relations

(Xinhua, April 26, 2019). For over a decade, Beijing has consistently identified emerging multipolarity and the democratization of international relations as emerging features of the global order. Concepts like "New Type of International Relations (新型国际关系)" and "Community of Common Destiny for Humanity (人类命运 共同体)" are built around remaking international politics in the CCP's domestic image (<u>China Brief</u>, June 7, 2013; <u>State Council Information Office</u>, June 2021).

The countervailing risks of "changes unseen in a century" include the rise of anti-globalization sentiment as well as increasing external hostility toward China specifically (<u>Peoples' Net</u>, May 25, 2021). In Xi's 20th Party Congress speech, he explicitly talked about foreign "attempts to blackmail, contain, blockade, and exert maximum pressure on China" in response to the "drastic changes in the international landscape" (<u>FMPRC</u>, October 25, 2022). But these are long-standing themes in the context of "changes unseen in a century." For example, at the Forum on China-Africa Cooperation (FOCAC) in 2018, Xi warned that "hegemony and power politics persist; protectionism and unilateralism are mounting," pushing back against these global transformations (<u>Xinhua</u>, September 3, 2018).

In the Party's thinking, these two factors combine to create favorable conditions for Beijing's diplomacy and to push new initiatives reshape global governance. Beijing's depiction of the counter-forces positions China as the champion of regional cooperation and positive globalization in venues like FOCAC (<u>China Brief</u>, December 3, 2021). In a speech in St. Petersburg in 2019, Xi pointed out that the global governance system was incompatible with the current international situation (<u>Xinhua</u>, June 8, 2019). The global COVID-19 pandemic did little to change official concerns about the unsuitability of global governance institutions, as officials and commentators continued to echo this assessment (<u>FMPRC</u>, September 13; <u>Guangming Daily</u>, December 3, 2022; <u>People's Daily</u>, March 1, 2021).

Related to the changes unseen is the CCP assessment that "Major-country competition runs counter to the trend of our times (大国竞争不符合当今时代潮流)" (<u>FMPRC</u>, November 13). Some in the United States and elsewhere apparently read this as more of a statement of intention and preference, i.e., that the Party seeks to avoid strategic competition. However, this statement admonishes the United States that it is fighting against the historical currents outlined above. If one accepts that China's rise under the CCP is legitimate, and the notion of "changes unseen," then one should accept China's place at the center of the global stage.

In sum, when Xi addressed American business leaders in a speech last week, he was presenting them with a choice: the United States can choose to be an adversary or a partner. He stated "China is ready to be a partner and friend of the United States" as long as Washington accepts the changes underway (Xinhua, November 16). Xi highlighted the Belt and Road Initiative alongside the Global Security Initiative, Global Development Initiative, and Global Civilization Initiative as inclusive programs in which the United States could participate. The partnership offer, however, is an offer for the United States to partner in its own decline and the promotion of a Sinocentric international order. These initiatives are almost explicitly about redesigning global governance to reflect Beijing's preferences and to work through international institutions that privilege the Party's priorities (FMPRC, October 31). Xi has explicitly linked at least the Global Development Initiative to "changes unseen in a century (FMPRC, July 10).

The limits of the partnership CCP General Secretary Xi was offering in San Francisco become clearer when compared to his exchange in March with Russian President Vladimir Putin. Xi told Putin "Now there are changes that have not happened in 100 years. When we are together, we drive these changes" (<u>Reuters</u>, March 22). If the China-Russia partnership is a force for the change Beijing wants to see in the world, then Xi's offer to Biden is an invitation for US acquiescence rather than positive change or stability.

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Notes

[1] The "changes" in "changes unseen in a century" could also be translated in ways that suggest more fundamental change, for instance, "transformation," "a turbulent situation," or "instability."

PLA Officer Cadet Recruitment: Part 1

by Jie Gao & Kenneth W. Allen



Trainee Officers for the 75th Group Army at a training camp in 2022. (Source: Sohu)

Editor's Note: This is the first article in a two-part series on People's Liberation Army (PLA; 人民解放军) officer cadet recruitment since the PLA reduced the number of officer academic institutions (院校) in 2017 to 34, as part of the eleventh Force Reduction that began in 2016. There had previously existed 63 such institutions since 1998. This article examines recruitment of non-aviation cadets with a focus on 2023 and 2024. The article does not discuss education or training once they assume their cadet billets. The second article will focus on recruitment for aviation cadets for the entire PLA. Part 2 will be published in Issue 22.

China's military activity has increased significantly in recent times, leading to concerns that the likelihood of an attempt to take over Taiwan is increasing. Indeed, China's President Xi Jinping told President Biden in San Francisco this week that reunification is "unstoppable (中国终将统一,也必然统一)" (<u>Xinhua</u>, November 16). Given the almost daily incursions of PLA aircraft over Taiwan's Air Defense Identification Zone (<u>ROC Air Force</u>, accessed November 16) and other posturing in the South China Sea (see <u>China Brief</u>, October 6), it is imperative to understand the makeup of China's forces, in order to provide a clearer understanding of the Chinese Communist Party's ambitions.

In June 2023, the People's Liberation Army (*PLA;*人民解放军) announced the process for recruiting new officer cadets into 27 academic institutions for the upcoming class and identified three key issues:

- 1. The number of recruitment directions has increased, and the professional fields suitable for the development of future wars have become more diverse.
- 2. The number of professional categories has increased, and the integration of command and skills has been added to the command and technical categories.
- 3. The number of students enrolled has increased, with an increase of more than 2,000 students as compared with last year, with the total number reaching 17,000 (Ministry of National Defense, June 15).

In 2017, the *PLA* reduced the number of officer academic institutions (院校) from 63, which had existed since 1998, to 34. This was done as part of the eleventh force reduction, which have occurred on an ad hoc basis since 1949. **[1]** This time, the PLA also ceased recruiting freshmen for the National Defense Student (NDS; 国防生) Program, which began in 1998 at 118 civilian universities. **[2]** As such, the entire program ceased to exist when the last class recruited in 2016 graduated in 2020. Direct recruitment of civilian college graduates with bachelor's, master's, and doctoral degrees has replaced the NDS program as the main source of officers for the PLA. In 2022, the PLA and People's Armed Police (PAP) recruited 3,600 college graduates (<u>China Military</u>, March 13, 2022; <u>Sohu</u>, March 12, 2022). The PLA has also increased the number of high school graduates (普通高中毕业生) who become officer cadets (学员). Some outstanding enlisted force conscripts have also been allowed to become officer cadets.

New PLA officer cadets can generally be organized into two categories—non-aviation cadets and aviation cadets. This article covers non-aviation cadet recruitment.

Brief History [3]

Since 1956, the PLA has held 16 All-Army Academic Institution Conferences (全军院校会议), each of which have laid out important guidance for all academic institutions. Although the PLA reduced the number of institutions from 67 to 37 in 2017, the last conference was held in 2011 under then Central Military Commission (CMC; 中央军事委员会) Chairman Hu Jintao (胡锦涛). No conferences have been held under the current CMC Chairman, Xi Jinping (习近平). As can be seen in Table 1 below, the number of PLA academic institutions has fluctuated since 1950.

To frame the thinking behind these conferences, one PLA article from 2000 states the following:

"It is important to compare the ratio of our military officers' educational levels during several different periods. Specifically, in the period between the founding of the Army (1927) and the founding of the People's Republic of China (1949), there were many officers who were either illiterate or barely literate. In the late 1960s, 93.4 percent had lower than a high-school educational level. Before the Third Plenum of the 11th Chinese Communist Party (CCP) Central Committee (December 1978), this figure still stood at 91.9 percent. The first bachelor's degree (本科) was implemented in 1982. The first non-commissioned officer (NCO; 士官) school (学校) was created in 1985. The situation underwent enormous change in the late 1980s, when 42.3 percent

of officers had a college educational level (i.e., a three-year post-secondary (大专) or four-year bachelor's degree) or above. In 2000, that figure had risen as high as 71.8 percent." [4]

Today, all officer cadets apparently receive a bachelor's degree.

Year	Number
1950	57
1956	246
1965	116
1968	125
1969	43
1977	115
1998	67
2017	37

Table 1: Number of PLA Academic Institutions from 1950-2017

Current Officer Academic Institutions

As of 2017, the PLA had 34 officer and 3 NCO academic institutions as shown in Table 2 below. **[5]** Officer academic institutions are classified as either universities (大学) or academies/colleges (学院). The list comes from an official PLA Ministry of National Defense (MND; 国防部) media report and lists them in protocol order by subordination (Xinhua, June 29, 2017). The table includes the official Chinese name, the official English name when found, official English acronym, subordination (PLAA/Army, PLAN/Navy, PLAAF/Air Force, PLARF/Rocket Force, and PLASSF/Strategic Support Force), grade, **[5]** and whether there is an official website—identified with a "Y" for yes and an "N" for none found, a "C" for Chinese and "E" for English. However, websites were only found for a few of the institutions. The final column shows the Ministry of Education (MOE; 教育部) codes assigned in 2017 (Zhihu, October 25, 2018). None of the current institutions are subordinate to any of the five Theater Commands (战区). This is in contrast to the earlier system, whereby several of the previous 67 institutions were subordinate to a Military Region (军区) command.

#	English Name	Chinese Name	Acronym	Subord-	Grade	Web	MOE
				ination			Code
							(2017)
1	National Defense University	国防大学	NDU	CMC	TCDL	N	91001
2	National University of Defense	国防科技大学	NUDT		CL		91002
<u>^</u>							04000
3	Army Command College	陆车指挥学院		PLAA	CDL		91003
4	Army Engineering University	陆车工程大学				N	91004
5	Army Infantry College	陆军步兵学院				N	91005
6	Army Academy of Armored Forces	陆军装甲兵学院					91006
7	Army Academy of Artillery & Air	陆军炮兵防空兵				N	91007
	Defense	学院					
8	Army Aviation Academy						91008
9	Army Special Operations Academy	陆军特种作战学					91009
	[6]	院					
10	Army Academy of Border and	陆军边海防学院					91010
10	Coastal Defence	四十处码于凡					01010
11	Army Institute of NBC Defence	陆军防化学院					91011
12	Army Medical University	陆军军医大学	TMMU			Y (C)	91012
	, ,	(第三军医大					
		学)					
13	Army Logistic University						91014
14	Army Military Transportation	陆军军事交诵学					91013
	University	院 院					
15	Naval Command College	海军指挥学院	NCC	PLAN		N	91015
16	Naval University of Engineering	海军工程大学	NUE			С	91016
	······································						
17	Dalian Naval Academy	海军大连舰艇学				N	91017
		院					
18	Navy Submarine Academy	海军潜艇学院				N	91018
19	Naval Aviation University	海军航空大学				N	91019
20	Naval Medical University	海军军医大学	SMMU			С	91020
		(第二军医大					
		学)					
21	Naval Service Academy	海军勤务学院	1				91021
22	Naval NCO School	海军士官学校			DL		91022
23	Air Force Command College	空军指挥学院	AFCC	PLAAF	CDL		91023
24	Air Force Engineering University	空军工程大学	AFEU			С	91024
25	Air Force Aviation University	空军航空大学	AUAF			N	91025

26	Air Force Early Warning Academy	空军预警学院				N	91026
27	Air Force Harbin Flight Academy			-		N	91027
28	Air Force Shijiazhuang Flight Academy	空军石家庄飞行 学院				N	91028
29	Air Force Xi'an Flight Academy	空军西安飞行学 院		-		N	91029
30	Air Force Medical University	空军军医大学 (第四军医大 学)	AFMU; FMMU			C/E	91030
31	Air Force Logistics College	空军勤务学院				N	91031
32	Air Force Communication NCO Academy	空军通信士官学 校			DL	N	91032
33	Rocket Force Command College	火箭军指挥学院		PLARF	CDL		91033
34	Rocket Force University of Engineering	火箭军工程大学	EPGC			С	91034
35	Rocket Force NCO School	火箭军士官学校			DL		91035
36	Strategic Support Force Space Engineering University	战略支援部队航 天工程大学		PLASSF	CDL	N	91036
37	Strategic Support Force Information Engineering University	战略支援部队信 息工程大学	PLAIEU			N	91037

Not all 34 officer academic institutions have programs for new cadets. This is discussed in the *gaokao* section below.

Recruitment System and Process

Early each year, the MOE provides step-by-step guidance to all graduating high school students about registering and being selected to attend a civilian or military academic institution. The Central Government and the Military Training Bureau (军事训练局) of the CMC's Training and Management Department (TMD; 军委训练管理部) oversee recruitment of all new officer cadets. **[7]** The education departments and committees of all provinces, autonomous regions, and municipalities directly under the Central Government as well as the Military Training Bureau (军事训练局) of the CMC's Training and Management Department (TMD; 军委训练管理部) oversee the process within their jurisdictions (<u>CHSI</u>, June 12). For example, in June 2019, the department announced its 2019 enlistment plan for enlisted soldiers, NCOs, and fresh high school graduates to become pre-commissioned officers at various military academies (<u>China Military</u>, June 18, 2019). The 2019 enlistment plan (招生计划) optimized the gender ratio and focused on the needs of professional training, aligning with the reform of the National College Entrance Examination (CEE; also known as the *gaokao*, 高考). The admission test for conscript candidates was hosted in parallel with the

CEE for students graduating high school. Selected candidates were scheduled to take additional political examinations, interviews, and physical examinations before the final decision. Exam results were posted on the official website of *China Military* (中国军网; <u>www.81.cn</u>) in early July and admissions were completed in August, in time for the start of the academic year. The enlistment plan was announced through public information platforms, and promotional events were jointly hosted by institutions of higher education and military commands at various levels.

As shown in Table 2, each academic institution is subordinate to the CMC or one of the services or forces. As such, each of the four services (PLAA, PLAN, PLAAF, and PLARF) has a Staff Department (参谋部) with a subordinate Training Bureau (训练局) that is responsible for managing the recruitment of that service's new cadets. **[8]** It is not clear if the PLASSF, which is a force and not a service, has a Training Bureau under its Staff Department, but this is most likely the case.

PLA Non-Aviation Cadet Recruitment Process

Admission to PLA academies generally follows the same process as for all other civilian universities, except that students need to go through interviews, a political evaluation, and a military physical examination. The chart below demonstrates the timeline for the overall process to get admitted by military institutions (<u>MOD</u>, June 15).



Figure 1: Stages of the non-aviation cadet recruitment process.

Three major changes were made for the recruitment process in 2023. First, a more diverse range of majors were opened to new cadets, with fields that are designed for future warfare. Second, on top of the command majors (指挥类) and technical majors (技术类), an integrated command-technical major (指技融合类) has been introduced. Third, military institutions have recruited 2,000 more students than last year, bringing the total to 17,000.

Gaokao (高考) Score Requirements

The *gaokao* examinations are a key part of the admissions process for those entering PLA institutions. These exams are typically held annually on June 7–10, with results released on June 25. **[10]** Around the time that the *gaokao* ends, military institutions announce their recruitment plans, in which they specify the gender quotas allocated to each locality. The gender ratio is nearly 18:1 for male and female students. The mechanism for setting quotas is not public, but factors such as population size, education quality, and students' historical performance may affect how many students are admitted to each institution.

There is some variation between who can apply to which institutions. For instance, only the National University of Defense Technology admits students from all 31 regions, and only male students from Anhui, Hebei, Henan, Hubei, Hunan, and Shandong provinces have opportunities to apply for all 23 military institutions. There is also variation in the minimum admission scores for each university. This is mainly due to different educational attainment levels in different regions. Minimum scores also vary by major. For example, in Hubei Province in 2023, minimum scores for students admitted to first batch Chinese universities, referred as "985" universities (Wikipedia, accessed November 7), were in the range of 564–693 (out of a maximum of 750). By comparison, the range for military institutions was 559–664 (GK100, September 13; TTJM, July 3). These data indicate that Chinese military universities have relatively high standards for selecting new cadets.

After receiving their *gaokao* scores, students fill in school selection forms, noting their desired universities and majors (See Appendix II for a sample form; <u>Gaokao Online</u>, July 17, 2020). Applicants normally list the military academic institutions first, followed by the civilian institutions. They are only approved by one institution, such that if the first institution does not accept them, their request is forwarded to the next one on their list. The process continues down the list until they are finally accepted. Students are unaware of the minimum scores for the current year, as the lines are drawn only after universities have received all applications. As such, they usually refer to the previous year's data to estimate the competitiveness of their intended schools.

The admission process for Chinese universities occurs in four batches (批次). These are the early admission batch (提前批), the first batch undergraduate universities (本科一批), the second batch undergraduate universities (本科二批), and the third batch junior colleges (专科批次). Usually, the minimum scores are in descending order from the first to third batches. Students will be admitted by the first university on their lists whose minimum admission requirements are satisfied by their *gaokao* scores. Military institutions are among the early admission batch along with police academies, normal universities, sports and art institutions, and schools with special requirements. Students can generally choose one school as their first choice and two schools as their second choice for the early admission batch.

Accepted students then attend interviews and take physical examinations at their chosen institutions. The interview is designed to evaluate six aspects: motivations for attending military institutions; communication skills; physical appearance and demeanor; psychological traits; logical thinking ability; and speed of responses. Sample questions include "Why do you want to apply for military institutions?" "What is your opinion on a military career?" "Does your family support your decision?" and "Are you prepared for a tough journey in the military?" Approximately 80 percent of students satisfy all six criteria and progress to the physical examination (xjdkctz.com, September 7). For the political review, candidates complete a political assessment form that is reviewed by the People's Armed Forces Department (PAFD) to determine their political and ideological performance. Their family background is also checked for any history of political crimes. Physical requirements are based on the 2023 version of the CMC's "Physical Examination Standards for the Military Selection of Officers and Civilian Personnel" (军队选拔军官和文职人员体检标准)," and cover eyesight, height, and BMI for men and women (Ministry of Defense, June 15). If a student successfully

completes the interview, physical examination, and political evaluation, they then receive an admission notification from that military institution. If not, they will then have a chance to get admitted to schools in subsequent batches.

High school students can only apply to 23 of the PLA's 34 officer academic institutions through the *gaokao* system (Ministry of Defense, June 15). Specifically, these institutions are subordinate to the following organizations: CMC (1), PLAA (10), PLAN (5), PLAAF (4), PLARF (1), and PLASSF (2). It appears that the institutions not included are NDU, the three PLAAF flight academies (which educate and train graduates from the Air Force Aviation University), and the four service Command Colleges. It is not clear why the Command Colleges are not involved, since they do have some undergraduate cadets who graduate and become staff officers in the Staff Department.

Recruitment Data for 2023

The PLA has been quite open about the number of high school graduates who have been recruited into each of its academic institutions since 2017, as can be seen in Appendix 1. A small selection of the data is also presented in Table 3 below. Although it appears that each locality most likely has an annual quota (招生名 额), no specific information could be found to confirm this. In addition, there are likely additional quotas based on ethnicity and gender, but this could also not be confirmed.

Region		National University of Defense Technology	Air Force Engineering University	Army Academy of Border and Coastal Defense	Total
National	Total	2,532	1,969	180	14,772
	М	2,378	1,931	171	13,990
	F	154	38	9	782
Beijing	М	31	9	2	121
	F	4	1	2	22
Chongqing	М	80	74	7	499
	F	5	3	0	24
Guangdong	М	70	29	0	303
	F	4	0	0	23
Jiangsu	М	74	83	0	542
	F	6	2	0	27

Table 3: High School Graduate Recruits by Institution for 2023 (a selection)

Outstanding Enlisted Conscripts as Officer Cadets

Besides recruiting high school graduates as officer cadets, the PLA also recruits outstanding enlisted conscripts and some NCOs as officer cadets (生长干部) (Wangyi, July 7). Outstanding conscripts with a high school degree or an incomplete college degree can apply to officer military academic institutions by participating in the all-military undergraduate admissions examination (Qin Chu Online, July 22, 2017). This is the same exam civilians take to attend officer academic institutions, or current enlisted personnel to enter the targeted NCO program in civilian polytechnic and vocational colleges. **[11]** The exam consists of five subjects: Chinese culture and history, mathematics, military and political knowledge, scientific knowledge, and English. The total score is 750 points. In June 2022, the exam was held at 158 centers in 91 cities across China (PLA Daily, June 2, 2022). A total of 54,000 enlisted soldiers took the exam. No information was found about acceptance rates. Enlisted personnel with at least two years of college education selected to attend an officer academic institution are only required to attend the institution for two years (学制两年) (Ministry of Education, July 30, 2020).

Conclusions

The PLA abolished the National Defense Student program in May 2017 and replaced it with direct recruitment of civilian college and university graduates with bachelor's, master's, and doctoral degrees. It is not clear if the new program will succeed, so there may be more changes down the road for this system.

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Notes

[1] The People's Armed Police (PAP; 中国人民武装警察部队) has also had academic institutions, though these are beyond the scope of this article.

[2] The National Defense Student (国防生) Program was a rough equivalent to the US military Reserve Officer Training Corps (ROTC).

[3] Kenneth W. Allen and Mingzhi Chen, *The People's Liberation Army's* 37 *Academic Institutions*; Montgomery, AL: China Aerospace Studies Institute, 2020.

https://www.airuniversity.af.edu/CASI/Display/Article/2216778/the-peoples-liberation-armys-academic-institutions/.

[4] Bi Yongjun, "Master's and Doctoral degrees -- Development Trend in Military Officers Contingent," *China Military Online*, 11 December 2000, 1.

[5] Every organization is assigned one of 15 grades from platoon leader to CMC vice chairman. These also include Theater Command Deputy Leader (TCDL), Corps Leader (CL), Corps Deputy Leader (CDL), and Division Leader (DL). See: "China Announces Reform to Military Ranks," <u>China Brief</u>, January 30, 2017.

[6] See [2]

[7] In 2017, the Air Force's Airborne Troop College and the Navy's Marine Corps College were abolished and became training bases. Since then, Airborne and Marine cadets have received their education and training at the Army Special Operations Academy.

[8] The Training and Administration English language website is located at <u>http://eng.chinamil.com.cn/CMC/Departments/TrainingandAdministrationDepartment/index.html</u>. The Chinese website is located at <u>http://www.mod.gov.cn/gfbw/qwfb/jwxlglb/index.html</u>.

[9] United States Department of Defense, Defense Intelligence Agency, *Directory of PRC Military Personalities*, Washington DC, 2022.

[10] By law, no males in the PLA can get married until they are 25, and no females until they are 23.

[11] For more general information about the gaokao, see: Xjtlu, June 7, 2019. For essay questions for all years 1977–2019, see: Beijing Qianlong, July 7, 2020

[12] However, while officer and NCO candidates sit the exam together, it appears that they take different versions of the exam.

Moonshot vs. Long March: Contrasting the United States's and China's Space Programs



by Katherine Kurata & David Lin

On the morning of November 2, 2023, the Gobi Desert's silence was shattered: From a remote launchpad at the Jiuquan Satellite Launch Center (中国酒泉卫 星发射中心), the Hyperbola-2 (双曲线二号), a slender rocket bearing the iSpace emblem (星际荣耀), surged upwards, before gracefully alighting back on Earth (iSpace WeChat, November 2; CNSA, November 2). This suborbital hop marked a major achievement for iSpace as the company progresses towards developing reusable medium-lift rockets. The test demonstrated key technologies like the methalox engine and landing capabilities that will enable iSpace's larger reusable rocket plans with Hyperbola-3. In China's rapidly growing commercial space industry, iSpace, alongside other ambitious startups like Galactic Energy (星河动力), CAS Space (中科宇航探索技术), and Deep Blue Aerospace (深蓝航天), are striving to replicate the success of American pioneers such as SpaceX (Galactic Energy WeChat, July 24; CAS Space WeChat, April 4; Deep Blue Aerospace WeChat, May 7, 2022). Their goal: to revolutionize orbital access with reusable rocket technology.

The success on November 2 was more than an engineering accomplishment; it was a testament to China's emerging "innovation power"—its capacity to create, adopt, and seamlessly integrate new technologies (Foreign Affairs, February 28; <u>US House of Representatives</u>, May 17). This successful launch marks not just a step forward in technological capability but also a strategic shift in the global space race. With a unique mix of state guidance and entrepreneurial zeal, China is charting an alternate path in space exploration, contrasting sharply with the United States's focus on private sector innovation.

The Hyperbola-2 descending back to Earth. (Source: iSpace WeChat)

As the United States and China advance their respective space programs, their differing approaches are reshaping the landscape of space leadership. While America champions private sector innovation, China exerts centralized state control. Yet amidst an increasingly congested orbital environment, it is clear that the future trajectory of space exploration hinges not solely on innovation itself, but specifically on the capacity for nations to effectively combine government direction with commercial dynamism. The country that strikes this balance will harness the strengths of both its public and private sectors to accelerate advancement, and will be positioned to spearhead humanity's future in the final frontier.

The American Model: Public-Private Partnerships Unleash Innovation

Since the Moon landings, America's human spaceflight program has faded from public prominence. However, this lull obscures an entrepreneurial revival that is now gaining momentum. The retirement of the Space Shuttle pushed the National Aeronautics and Space Administration (NASA) into public-private partnerships with firms like SpaceX and Blue Origin to conduct commercial resupply missions and crew activities (<u>NASA</u>, accessed November 14). These private firms pioneered reusable rocket technology, slashing launch costs dramatically. For SpaceX's Falcon 9, costs dropped 95 percent from \$65,000 per kilogram to just \$1,500 (<u>CSIS</u>, September 1, 2022).

The fall of launch prices and the rise of incentives like the 2015 Commercial Space Launch Competitiveness Act, XPRIZE contests, and government challenges catalyzed commercial space growth across launch capabilities, satellite technology, robotics, and in-orbit manufacturing (<u>51 USC</u>, 2015; <u>XPRIZE</u>, accessed November 14; <u>NASA</u>, November 7). Once the sole domain of governments, the commercial space sector is now courted by hedge funds, billionaires, and even amateur rocketeers (<u>Bloomberg</u>, January 20; <u>Bloomberg</u>, July 16, 2021; <u>Wired</u>, May 22, 2019). To date, the Falcon 9 has completed 272 launches and 230 landings (<u>SpaceX</u>, accessed November 14), and the number of objects launched into space annually—whether it be satellites, probes, landers, crewed spacecraft, or space station flight elements—has spiked by 400 percent globally and 600 percent in the United States since 2019 alone (<u>UNOOSA</u>, September 29). SpaceX may launch more satellites by 2030 than the rest of humanity combined has since Sputnik first orbited Earth in 1957 (<u>ESA ESOC</u>, April 20, 2022; <u>Business Insider</u>, August 9).

While this entrepreneurial revival shows promise, challenges remain in channeling the commercial dynamism effectively. Minimal oversight has created a "Wild West" environment, raising concerns over congestion, debris, and military operations in Earth's orbit. Technically daunting and capital-intensive efforts like asteroid mining still face hurdles from the high costs and risks that have stymied previous attempts (<u>Technology</u> <u>Review</u>, June 26, 2019). The industry's reliance on government contracts pending profitable operations leaves it prone to boom-bust cycles, much like the 1990s satellite bubble, as most ventures still depend heavily on institutional investors. Though regulatory and technical difficulties persist, the energy propelling today's commercial spaceflight revival remains undeniable. The key will be effectively harnessing this commercial upsurge alongside an expedient, responsive oversight system. Efforts like NASA's newly established Artemis program in 2017, which is providing direction and leadership for goals such as returning

humans to the Moon, are a start. But these must be built upon to ensure continued American leadership (<u>NASA Artemis</u>, accessed November 16).

China's State-Driven Approach: Centralized Control Constraints Dynamism

China's space program, traditionally state-driven, has recently witnessed burgeoning contributions from the private sector. This transition, initially spurred by government policies like the 2014 Document 60 (国发 [2014] 60 号), is reshaping China's approach to space exploration (NDRC, October 26, 2015).

Since then, the commercial space sector has come to be defined by ambitious goals and select priorities set by policy documents like the State Council's White Papers on Space Activities and the 2015-2025 National Medium- to Long-Term Civilian Space Infrastructure Development Plan (国家民用空间基础设施中长期 发展规划) (Xinhua, December 27, 2016; <u>NDRC</u>, October 26, 2015). Other policies, like the 2019 Industry Catalog Encouraging Foreign Investment (鼓励外商投资产业目录) and the 13th Five-Year Plan ("十三 五"国家战略性新兴产业发展规划) encourage foreign investments and recognize space as a strategic emerging industry, respectively (<u>NDRC</u>, June 30, 2019; <u>State Council</u>, November 29, 2016). Broader policy frameworks like Military-Civil Fusion (军民融合) and Belt and Road (一带一路), while not focused on space specifically, are already expanding opportunities for China's commercial space sector through programs like the Space Information Corridor (空间信息走廊) and the Beidou Satellite Navigation System (北斗卫星导航 系统) (<u>UNOOSA</u>, 2018; <u>CNSA</u>, February 14, 2019).

However, while private Chinese space startups exist on paper, their autonomy remains circumscribed, starved of contracts and funding sources outside the government's orbit. Instead, private companies and state-owned enterprises (SOEs) operate synergistically in China's space sector, not competitively. Private companies occupy niche roles, focusing on specialized technologies with limited budgets, while SOEs enjoy robust state backing. In 2019, the State Administration of Science, Technology and Industry for National Defense (SASTIND; 国家国防科技工业局), alongside the Equipment Development Department of the Central Military Commission, codified 2002 launch licensing requirements for private space companies to obtain permits from the military, which retains control over access to launch sites. This reflects an aim to support commercial space while maintaining state oversight (MIIT, November 21, 2002; <u>SASTIND & CMC</u>, May 30, 2019). Moreover, SOEs, CAS spin-offs, private subsidiaries, and startups, all require oversight and approval from SASTIND. The People's Liberation Army (PLA, 人民解放军) also retains ultimate authority over most space activities, including taikonaut selection and training, as well as launch facilities and ground systems (<u>China Aerospace Studies Institute</u>, March 1, 2021).

This amounts to a scenario of differentiated competition, where direct rivalry is precluded by separate market segments and financial scales. The government champions private space companies as a new model to attract investment and stimulate innovation for national benefit, but firmly within state-set bounds. This strategic differentiation aligns with Xi Jinping's Military-Civil Fusion agenda—the 2017 State Council Opinion

explicitly calls for "the coordinated construction of space infrastructure, meeting military and civilian needs (面向军民需 求,加快空间基础设施统筹建设)" (<u>State Council</u>, November 23, 2017).

Though often portrayed as private sector outsiders, China's private space startups exhibit deep ties to the state. Many founders and engineers hail from elite academies and contractors like the China Aerospace Science and Technology Corporation (CASC, 中国航天科技集团公司), the China Aerospace Science and Industry Corporation (CASIC, 中国航天科工集团有限公司), and China Academy of Launch Vehicle Technology (CALT, 中国运载火箭技术研究院). For instance, iSpace's CEO Peng Xiaobo (彭小波) formerly led R&D at CALT, while his vice president Yao Bowen (姚博文) is also an ex-CALT engineer, as are Yao's father and wife (Sohu, August 25, 2020; Jiemian, August 8, 2019). Galactic Energy's founder Liu Baiqi (刘百奇) earned his PhD at Beihang University (BUAA, 北京航空航 天大学) before lecturing there and joining CALT (Sohu, November 29, 2018). Even Liang Jianjun (梁建军), the founding chairman of Space Trek, worked for 20 years in the PLA's ballistic missile program (Innovation China, August 2, 2022).

There are exceptions to the rule, such as LinkSpace (翎客航天), China's first private rocket company established in 2014. However, they too reflect the intricate ties between private enterprises and state influence in China's space sector. Founded by Hu Zhenyu (胡振宇), Yan Chengyi (嚴成義), and Wu Xiaofei (吴小飞), young graduates from less-renowned universities, LinkSpace exemplifies emerging diversity in the industry (Sina, April 25, 2019; China Daily, August 19, 2014). However, the 2019 transition of leadership to Chu Longfei (楚龙飞), a former CALT engineer with establishment credentials and a PhD from BUAA, underscores the porous boundaries between China's private space firms and the state apparatus, and reflects the deliberate cultivation of insider status rather than disruptive autonomy (Toutiao, June 11, 2020).

Despite the iron grip of the state, China's centralized space program has witnessed remarkable achievements over the past decade, including manned space flights, Lunar sample returns, Mars missions, and the development of reusable rocket technology (<u>Ministry of National Defense</u>, December 19, 2020; <u>Xinhua</u>, May 15, 2015; <u>Xinhua</u>, August 14). These milestones have fueled national pride and positioned China as a formidable competitor in the global space race. Concurrently, China's commercial space sector is expanding through startups like LandSpace (蓝箭航天) and GalaxySpace (银河航天). However, these maintain close ties to state champions like CASC and the defense industry, constraining true dynamism.

Tsinghua University has also incubated private space firms through tech transfer from the United States, yet those firms direct resulting innovations toward national strategic objectives rather than commercial markets (<u>Tsinghua University</u>, accessed November 16). Though progress is evident, breakthrough innovation still lags that of America's unleashed commercial space revolution.

Forging the Trail vs. Paving the Path

In truth, neither the American nor Chinese model operates as a pure free market or state-run system. Both blend elements of public and private participation. However, the core challenge for each nation lies in finding the optimal equilibrium between government direction and commercial freedom within their respective frameworks (Bloomberg, February 27, 2017).

In the United States, NASA pioneers new frontiers while the Pentagon cultivates symbiotic partnerships with private contractors and startups. Although heavily government-reliant, this ecosystem enables visionary pursuits. In contrast, behind China's rhetoric of military-civil fusion lies a tangled web of public and private cooperation activated only when mutual interests converge. Rather than operating autonomously as disruptive innovators, China's private space firms mostly act as an extension of state interests.

Consequently, the fundamental difference between the systems is the degree of state control. Compared to America's decentralized-but-directed ecosystem, China's industry is more thoroughly suffused with central control, which maintains rigid oversight even as it espouses private sector dynamism. This contrast has profound strategic implications. America's individualistic approach enabled an unmatched wellspring of innovation during the space race, producing pioneering technologies that fueled first-mover advantages. The PRC has excelled at orderly implementation but has historically struggled to invent radically new technologies, often confined to incremental improvements. It remains to be seen whether China can strike the delicate balance required to overcome barriers and achieve disruptive breakthroughs beyond specialized innovations.

The Stakes

The stakes of this contest are immense: Supremacy in space confers dominance terrestrially. Pursuit of the celestial high ground extends beyond mere national pride or scientific achievement; it has become a pivotal strategic maneuver in global power dynamics, offering decisive advantages as the new "commanding height (制高点)" (Xinhua, May 26, 2015). China's vision, articulated by Xi Jinping, is to establish itself as the foremost "space power (航天强国)" by 2045, a goal that "serves the overall national strategy (国家整体发展战略的服务与服从)" of "national rejuvenation" by 2049 (Xinhua, January 28, 2022, April 12, 2019, October 18, 2017). Beyond ensuring intelligence gathering prowess, unmatched weapons deployment, and battlefield omniscience from orbit, preeminence in space would allow China to steer the cutting-edge technologies and industries set to drive future prosperity, as well as lead in international standards-setting.

The United States, in its pursuit of the original moonshot, catalyzed or created a market for a wave of inventions that have defined the modern era. Innovations such as integrated circuits, which powered the digital revolution, and satellite technology, which enabled global communications, are testament to this. Since 1976, more than 2,000 NASA spinoffs have seamlessly integrated into daily life, demonstrating the expansive impact of space exploration (NASA, July 15, 2019).

Just as Sputnik's launch highlighted in stark terms the Soviet Union's challenge to the postwar order, China's burgeoning space capabilities portend a rivalry that may eclipse that of the Cold War. Space remains ripe for cooperation, and Beijing bills its space program as ambitiously collaborative. However, its underlying motivations remain inscrutable. Through ostensibly private companies, China gains footholds worldwide, integrating foreign actors into its orbit (<u>UNOOSA</u>, 2018). And with the International Space Station's planned decommissioning, China may soon operate the world's sole orbital laboratory, expanding global dependency on its celestial influence (<u>NASA</u>, September 20; <u>Space News</u>, September 1). As in the past, the United States can choose to lead in space by inspiration as much as enterprise—upholding principles of openness and cooperation benefiting all of humanity. For America to champion its values and vision, national space policy must balance pragmatism with idealism and competitiveness with inclusiveness. As China's space capabilities advance, as exemplified by innovations like the Hyperbola-2 rocket, the United States has an opportunity to respond by reinvesting in its own technological leadership, upholding principles of openness, and fostering global collaboration, and, in doing so, hold open the door to the infinite possibilities that space offers humanity.

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China's "Important Data" Regime Challenges Global Norms

A visualization of digital security. (Source: Sohu)

China has recently launched a series of provincial "data security escort" special action campaigns ("数安护 航"专项行动) to speed implementation of a new regulatory regime that focuses on the identification and protection of a specific subset of data known as "important data" (重要数据) (<u>GDCENN</u>, October 26; <u>Anquan Neican</u>, August 15; <u>Jiangsu Government</u>, June 29). [1] The development of this regime introduces a novel new element to data protection laws, one in which private data holdings must be assessed for their national security implications and, where such data is deemed "important," reported to the government and restricted from overseas transfer unless approved.

China's new requirements on "important data" end a more halcyon era in which companies were largely free to exchange their Chinese data with overseas corporate affiliates and business partners, provided that such data did not constitute a "state secret." The new rules add an additional layer to an increasingly crowded cybersecurity compliance landscape in China, while also increasing the insight the Chinese Party-state has into private data holdings.

For China's trading partners, this new regime poses a further challenge to the open internet, one in which cross-border data flows are increasingly restricted in the name of national security. This policy has the potential to significantly reshape global data flows over the next decade.

From 'Who Holds the Data?' to 'Who Does the Data Affect?'

Data protection laws in the European Union, United States, and China have, to date, largely focused on regulating the collection, processing, and sharing of individuals' personal information (PI). Governments may deem certain data as "classified" (or in China, a "state secret"), while many corporations may designate sensitive private data as "trade secrets" to protect them from third parties. In general, however, these governments have declined to mandate a data protection regime for the non-classified, non-PI data of natural or legal persons.

To these traditional data protection elements, China is now introducing a new category of sensitive—though non-classified—"important data," which ignores traditional public-private distinctions to focus on the potential impact the data might have on national, social, or individual interests if illegally disclosed.

Hong Yanqing (洪延青), a Peking University law professor who sits on the TC260 standards drafting committee, is one of the primary drafters of numerous national standards regulating data protection (Beijing Institute of Technology School of Law, accessed November 13). In a 2021 article in China Law Review, he explains China's new approach as based on a recognition that "in many cases, the value of the data in the hands of enterprises is higher to the country, society, and individuals than to the enterprise." Once a security incident occurs, "the harm [to these parties] may be greater than the harm to corporate interests" (Anguan Neican, November 1, 2021).

As an example, Hong cites the Cambridge Analytica scandal, where corporate data on personal information was illegally used to influence the Brexit referendum and the presidential election in the United States, both in 2016. [2] Because these disclosures had a far greater impact on the affected societies than they did on the company itself, Hong argues for abandoning the "question of 'who controls the data'... and to instead judge [data] from the value and interests the data may affect." Because these values and interests may "go beyond the organization's internal perspective," it is necessary for "the state to make a decision 'from the top down."" [3] This "top-down" decision is, in essence, China's new "important data" regime. [4]

Important Data Defined

The concept of "important data" was first introduced in the PRC Cybersecurity Law (Xinhua, November 11, 2016) and later expanded on in the PRC Data Security Law (DSL) (Xinhua, June 10, 2021). However, neither law defined the term itself. This lack of an overriding national definition appears purposeful as the new regime calls for local government and industry regulators to take the lead in identifying what constitutes "important data" in their sectors and then to collate lists of identified data in "important and core data catalogues," (重要 数据和核心数据目录) that are submitted to higher authorities (see for example: <u>MIIT</u>, December 7, 2022, Article 7). "Core data" (核心数据) is an even more sensitive subcategory of "important data." It will not be discussed in depth here.

While this overall legal regime remains a work in progress, the current approach appears as follows:

From the top-down, local governments and industry regulators are instructed to publish specific guidelines for identifying "important" and "core" data in their respective region or industry. For example, the *Regulations on the Management of Automobile Data Security (Trial)*, promulgated by the Cyberspace Administration of China (CAC) and four other ministries, sets out six general categories of "important data," including "data reflecting operations such as vehicle flow and logistics, data on the operation of the automobile charging network, and video and image data from outside the vehicle containing facial information or license plate information." The Ministry of Industry and Information Technology (MIIT) has also drafted guidelines for the identification of "important data" related to industrial data—which account for more than a third of data sources in China—but this document has yet to be made public. **[5]**

In drafting these identification guidelines, local and industry regulators will likely refer to certain general definitions for the term that have been provided in ministerial regulations and national standards. For example, under the 2022 *Measures for the Security Assessment of Cross-Border Data Transfers* (CBDT Measures), "important data" is defined as "any data that, once tampered with, sabotaged, leaked or illegally obtained or used, may endanger national security, economic operation, social stability, and public health and safety" (CAC, July 7, 2022). Similar—though not identical—definitions are found in two recent draft national standards (which can be downloaded at: TC260; SAMR, January 7, 2022), as well as a draft data security regulation published in 2021 (CAC, November 14, 2021).

These general definitions serve as guideposts for local officials and industry regulators to craft more specific identification guidance and data handling regulations to clarify how companies should protect the "important data" that exists in their region or sector (see DSL, Art. 21: <u>PRC State Council</u>, June 11, 2021). In short, the scope of "important data" will be determined by a variety of regulatory officials in China, each of whom will have substantial discretion to define what should be considered "important data" and how this data should be handled.

Important Data Requirements

The designation of certain data as "important" brings with it two significant requirements. First, because the CBDT Measures require government approval before the export of any "important data," there is a *de facto* (and, in certain industries, *de jure*) data localization requirement for all "important data." That is, all such data must be stored within the borders of the PRC. Second, as mentioned above, the DSL requires lower-level departments to draft their own implementing regulations for data security and to adopt strengthened requirements for the handling and processing of "important data."

To date, the first and only comprehensive sector-specific regulation has been the *Interim Measures for Data Security Management in the Industrial and Information Technology Industries* (Interim Measures), published by MIIT in December 2022 (MIIT, December 7, 2022). The Interim Measures require that MIIT-supervised companies comply with 19 specific requirements to establish a "full life-cycle data security management system" (数据全生命周期安全) within their operations, with certain heightened requirements for handlers of "important" and "core" data. [6]

Among these requirements, companies must regularly audit, classify, and grade their data holdings, and report their "important" and "core" data holdings in certain "important and core data catalogues" which are filed with their local MIIT office. In these reports, companies are obliged to include a wide variety of information relating to their data, such as the data's source, their purpose and method of processing, the scope of their use, and the external entities with whom they are shared. However, the specific content of the data themselves does not need to be included (<u>MIIT</u>, December 7, 2022, Article 12). Local MIIT offices then collate these individual data catalogues into an overall "important data" catalogue for their area, which is reported through higher-level MIIT offices up to Central MIIT, where it forms a national catalogue of "important data" for this sector.

Implications for Companies

The developing jurisprudence surrounding "important data" adds to a growing list of cybersecurity compliance obligations for companies operating in China.

This includes China's Multi-Level Protection Scheme (信息安全等级保护制度) under which companies are required to identify and report their information systems to the Ministry of Public Security (<u>Ministry of Public Security</u>, July 24, 2007). In addition, CAC released a draft measure in August 2023 requiring regular compliance audits for a company's PI holdings (<u>CAC</u>, August 3).

While these measures are aimed at strengthening the country's overall cybersecurity, one obvious side-effect is to increase the visibility national regulators have into the digital assets of private enterprises, be it their information systems, data, or PI. While this should not be a surprise for any company operating in China's socialist market economy, it does constitute a regression from some of the independence enjoyed by private firms from 2001 in the immediate post-World Trade Association accession period.

Perhaps more importantly, the data localization element of this new regime will cause complications for companies, as any international transfers involving "important data" must now be delayed while regulatory approval is sought and obtained. Dealmakers will need to consider whether their transactional data involve (or could involve) "important data," and how the deal might be impacted if Chinese regulators subsequently identify certain parts of those data as "important." In some cases, such as where imported data may be further modified or processed in China, the new rules may create an "Hotel California" situation for companies, who may be fearful of transferring their technology or data into China lest it never be allowed to leave. Such cross-border restrictions may, in the end, hamper China's own indigenous technology drive and domestic R&D efforts.

There are signs, however, that China understands these risks, and believes that this policy should be applied lightly. In September 2023, the CAC released a draft measure that would relax some of the requirements related to cross-border data transfers, particularly with respect to PI (<u>CAC</u>, September 28). For "important data," the draft measure clarified that cross-border transfer approval should only be sought for "important data" that had been "notified or publicly announced" and not merely suspected of falling into that category.

While this creates some breathing room for corporations in China, it remains an open question how well China can constrain the scope of "important data," given the vast discretion local governments and industry regulators have to define its terms in the various catalogues. Ensuring that this new area does not hamper overall economic development will be an important priority for Chinese regulators over the coming years, and companies will need to closely track the development of these catalogues for indications of whether Chinese regulators are favoring protecting national security over economic development.

Conclusion

Applied prudently, there is certainly nothing wrong with the protection of sensitive information that does not rise to the level of "classified" data. In this regard, Chinese regulators have shown some vision in understanding the new national challenges arising in an era of vast data resources and how to respond to them.

There are some signs that this approach is paving the way for other countries to follow suit. In October 2023, the Financial Times reported that Belgian intelligence was investigating Alibaba's logistics center at Liège Airport over concerns that the sensitive economic data processed by the facility might be shared with the Chinese government (Financial Times, October 4). Although this investigation was not portrayed in language indicative of the "important data" framing, the core concern behind it—that some sensitive (though non-classified) private data may impact national interests—is identical to the concerns driving China's approach.

While the future protection of non-classified business data might be a reasonable legal advancement, there are valid concerns over the potential for competing national laws requiring localization for whatever respective domestic regulators deem "important data." Such an approach heralds a new front in the ongoing technology rivalry between nations. Taken to its limits, this threatens a damaging, zero-sum view of international data resources. As China continues to define this space, prudence will be paramount, lest their national security prerogatives give rise to a new "data security dilemma" between countries, as each nation looks to respond to foreign data restrictions by erecting barriers of their own.

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Notes

[1] Currently, most English-language commentators have translated 重要数据 literally as "important data." However, two draft standards have been released that each translate this term differently as either "key data" or "critical data." We use "important data" in keeping with the popular approach.

[2] Although the personal information at issue in the Cambridge Analytica case was already protected under relevant US and UK laws, Hong's point is to justify the PRC Data Security Law's call for stricter data handling requirements for both "important data" and personal information. Presumably, the argument he raises for Cambridge Analytica could also apply in a case involving "important data" rather than PI.

[3] The original text reads: "应放弃从'谁掌握数据'来着手...而是从数据可能影响的价值、利益 来判断;而全面判断数据可能影响的各种价值和利益,显然需要超越组织内部视角,需要 国家'自上而下'地做出决断"

[4] Technically, this top-down management is called the "categorized and graded protection system for data" [数据分类分级保护制度], which is principally implemented by China's "important data" regime. See DSL, Art. 21.

[5] This document is entitled *Important Data and Core Data Identification Rules in the Industrial Field* (工业 领域重要数据和核心数据识别规则). Other non-public sources suggest that this measure has been finalized but not yet published. These sources also note that data in the industrial and information technology fields make up more than a third of China's overall data resources.

[6] Notably, the Interim Measures contains its own definitions for both "core" and "important data, which are distinct from that found in the CBDT Measures, further emphasizing the power and discretion industry regulators have to define this space.



China and Nicaragua's Deepening Embrace

In October 2023, Nicaragua signed an agreement with China's CAMC Engineering Company (中工国际工程) for the reconstruction, expansion, and upgrading of the Punta Huete International Airport (Yicai, October 18). The company is a subsidiary of the conglomerate China National Machinery Industry Corporation (国际集团), also known as Sinomach (Sinomach, accessed November 15). Local and Chinese officials are touting the \$492 million project as part of China's Bridge and Road Initiative (BRI), reflecting a deepening of Daniel Ortega's regime's ties to the People's Republic of China (PRC) (Global Times, October 18). Closer links between Beijing and Managua demonstrate that China's economic statecraft remains central to its strategy to further penetrate Latin America and the Caribbean, a region of significant geopolitical importance to the United States.

The sustainability of China's economic statecraft, and BRI in particular, have come into question in recent months due to the country's domestic economic problems. However, the Nicaraguan airport announcement signals that the PRC remains economically active in the region, and its ambitions have not wavered. This is something of which the remaining handful of countries that officially recognize Taiwan are well aware: Beijing's attention to regional infrastructure continues, if more selectively than before, but only to those countries who have decided to forgo relations with Taiwan. Beijing is further extending its reach into the strategic underbelly of the United States. For Nicaragua, the restoration of diplomatic ties with China serves

The opening ceremony for the Nicaragua Grand Canal. (Source: Shanghai Securities News)

the geopolitical needs of President Daniel Ortega in distancing his regime from the United States and softening the blow of sanctions (imposed due to fraudulent elections and gross human rights violations), while providing a source of non-Western funds to finance infrastructure projects.

Nicaragua's Historical China Ties

Nicaragua restored diplomatic relations with the PRC in December 2021, joined the BRI in 2022, and signed a Free Trade Agreement with the country in August 2023 (Xinhua, December 14, 2021; <u>Global Times</u>, January 13, 2022). The country has also struck several infrastructure deals, and organized for Nicaraguan students to visit China (<u>Ministry of Commerce</u>, September 1). In July 2023, Presidential Advisor Laureano Ortega Murillo (President Ortega's son) visited Beijing to sign several cooperation agreements and reaffirmed Managua's commitment to the One China Principle (<u>FMPRC</u>, July 13; <u>PRC Mission to the EU</u>, August 15, 2022).

Throughout much of the Cold War, Nicaragua maintained relations with the Republic of China. Following the success of Daniel Ortega's Sandinista Revolution in ousting the corrupt Samosa regime in 1979, Nicaragua pivoted to recognize the PRC in 1985. This continued until 1990, after which President Violeta Chamorro's administration switched diplomatic recognition back to Taiwan. When Ortega returned to power in 2007, there was speculation regarding another reversal of Nicaragua's diplomatic leanings, and what the PRC would have to offer the country for such a pivot to occur. The switch finally occurred in 2021, with experts surmising that a generous deal was likely to be struck—far better than anything Taiwan might have been able to offer in comparison (The Global Americans, December 10, 2021). The upgrading of Punta Huete International Airport is certainly part of this deal, but other factors must also be considered.

Demonstrating China's Economic Statecraft

The Chinese economy is not doing well: growth is stagnating, the ability to rely on Western technology has sharply declined, youth unemployment is high, the property market has imploded, local debt levels are worryingly high, extreme weather events have raised concerns over food security, and the country is facing demographic headwinds (see <u>China Brief</u>, August 14). The IMF judged that China's economy only expanded 3.0 percent in 2022, and projects this year's headline growth to hit 5.0 percent before falling to 4.2 percent for 2024 (IMF, October 10). China's overseas lending has declined from its peak in 2015, especially outflows from the country's two chief development banks, the China Development Bank and the Export-Import Bank of China (<u>Boston University Global Development Policy Center</u>, March 21). China has pumped almost \$1 trillion into BRI projects to date, signing over 200 BRI cooperation agreements with more than 150 countries and 30 international organizations across five continents (<u>Xinhua</u>, October 11; <u>Bloomberg</u>, October 16). Recently, new financing windows of around \$48 billion from the two main development banks were announced at the BRI forum in Beijing, which commemorated the Initiative's decennial (<u>Global Times</u>, October 18). Details to access and loan tenure are hazy.

BRI has provided business opportunities for China's large state-owned enterprises and strengthened the nation's relations with other Global South countries. However, China has also been criticized for causing

unsustainable debts in recipient countries, mothballing a number of projects, facilitating corruption, and for lax environmental controls (<u>Center for Global Development</u>, March 4, 2018; <u>VOA</u>, November 27, 2022). Beijing thus now lends more strategically, placing greater emphasis on sustainability and "small is beautiful" projects (<u>Xinhua</u>, October 11).

China's Economic Statecraft To Isolate Taiwan

The PRC's message to Central America and the Caribbean is that there are benefits to changing sides. Since 2017, Panama, the Dominican Republic, El Salvador, and Honduras have all abandoned Taiwan. Nicaragua joined those ranks in 2021. Only Belize and Guatemala in Central America, Paraguay in South America, and St. Lucia, St. Kitts-Nevis, and Haiti in the Caribbean maintain diplomatic ties with the island.

Despite considerable pressure from the United States and a track record of most Central American and Caribbean countries running large trade deficits with China, the PRC remains attractive. The establishment of diplomatic ties with Beijing has resulted in similar infrastructure projects across the region. These include El Salvador's new national library and talks over the possible development of that country's port of La Union; the potential for a \$20 billion rail line to connect Honduras's Atlantic and Pacific coasts; and highway upgrades in Costa Rica (Dialogo Americas, August 24). Following the BRI summit in October, Nicaragua signed a \$70 million credit line with China Communications Construction (中国交建) to build a solar plant (bnamericas, October 19); an agreement with China Civil Engineering Construction Corporation (中国土木 工程集团) to build a new rail line across the country (bnamericas, October 18); a hydroelectric project in Tumarín (Seetao, October 20); and help with the expansion of the Rivas-Sapoá Highway along the coast (tn8, October 17). Zhou Zhiwei (周志伟), an expert on Latin American studies at the Chinese Academy of Social Sciences, recently argued these projects show that "cooperation with China offers concrete, conspicuous, and effective results" (Global Times, October 19).

Another potential infrastructure project would be the revival of a planned coast-to-coast canal to rival Panama's. The most recent manifestation of the idea emerged in 2013, when the Hong Kong-based HK Nicaragua Canal Development Investment Company (HKND) signed an agreement with the Ortega government (<u>Nikkei</u>, July 9, 2014). The main personality associated with it was Wang Jing (王靖), who is also the chairman and CEO of the telecoms company Beijing Xinwei (北京信威), as well as of its subsidiary, Skyrizon Aviation (北京天骄航空) (<u>Global Times</u>, August 5, 2014).

The project failed to materialize, due to HKND's financial problems, failure to proceed with environmental studies, and opposition by farmers and environmentalists. These last two groups were concerned about the impact construction would have on Lake Nicaragua, Central America's largest lake and a major source of fresh water. Publicly available details revealed it would have involved a concession to build and operate a Nicaragua Canal for 50 years, with an optional 50-year extension, coming at a price estimated around \$40–

50 billion. If constructed, it would have enhanced the PRC's regional influence, undermined Panama's economy, and most likely caused considerable environmental damage.

Following the diplomatic rapprochement at the end of 2021, the project could be back on the table: Chinese companies are hunting for new deals, the Ortegas have done much to consolidate their power (which could allow them to repress any opposition), and droughts in Panama are impacting the number of ships that can transit its waterway. Meanwhile, Ortega's son Laureano, an important force behind the initial project—as well as in reestablishing relations with the PRC—is back in government. Wang, who in November 2021 congratulated Ortega and his wife on their electoral victory, is also still involved. Wang has previously declared his "faith in [Nicaragua's] grand canal project" (Confidencial, November 11, 2021).

Deterioration of United States-Nicaragua relations

The United States has voiced concerns about the Ortega regime's repressive actions following its deadly response to protests in 2018 (GJIA, March 17) and its "sham" general election in 2021 (White House, November 7, 2021). The Biden administration subsequently imposed sanctions on 47 Nicaraguan individuals and 11 entities, including the vice president, the first couple's children, close advisors to the president, leaders of the National Police, the judiciary, the ruling Sandinista Party, and National Assembly (State Department, September 15, 2022). These sanctions, while warranted, have allowed China to step in. It would, however, be a mistake to suggest that America drove Nicaragua into China's embrace. The Ortegas were already receptive to China's entreaties, and American officials have argued that Nicaragua's pivot toward Beijing must be seen as part of Ortega's effort to consolidate his "authoritarian regime" (Reuters, December 10, 2021).

The Ortegas' predilection for autocratic regimes in not limited to China. The regime resumed close ties with Russia in 2008 (one year after Ortega's return to office), and has in particular cultivated military ties with Vladimir Putin's Russia. In 2022, Nicaragua authorized the presence of Russian troops, warships, and military vehicles in the country, suggesting that Moscow could establish a base in the Central American country (Russia Briefing, April 21). In April 2023, Russia's Foreign Minister Sergey Lavrov made an official visit to Nicaragua and met with President Ortega to discuss a further deepening of relations. Russia's state-controlled media company RT is also active in the Central American country. Concerns are growing over RT's ability to push its anti-American narrative throughout the region (Dialogo Americas, October 2).

Nicaragua is also developing closer ties with Iran. Both countries share a strong dislike of the United States, are governed by corrupt authoritarian elites, and are friends with China, Russia, Cuba, and Venezuela. A leaked Pentagon document reported in the *New York Times* claimed that Iran's Foreign Minister Hossein Amit Abdollahian discussed the possibility of strengthening military cooperation with senior officers of the Nicaraguan army while visiting the country earlier this year (Dialogo Americas, June 13). The importance of closer Managua-Tehran relations should not be overstated, but this nevertheless constitutes an additional data point to illustrate how the Ortega regime is incrementally distancing itself from the United States in favor of authoritarian partners.

The Path Ahead

The deepening of Chinese–Nicaraguan ties is not in the United States's interest. Nicaragua sits in a region suffering from the effects of climate change and poor governance; is a transit point for large numbers of migrants heading north; and could provide Chinese transnational criminal organizations an expanded trade route for fentanyl heading to Mexican drug cartels.

The United States could leverage its trading relationship with Nicaragua, as it is the country's leading trade partner (Statista, May 23). Trade between Nicaragua and the United States is largely facilitated by the Dominican Republic-Central American Free Trade Agreement (CAFTA-DR), which was signed in 2004. The CAFTA-DR was established to liberalize trade and investment between the United States, the Dominican Republic, and five Central American countries—including Nicaragua. Trade of American goods and services with Nicaragua stood at roughly \$9.2 billion in 2022, with a net surplus of \$3 billion in Nicaragua's favor (USTR, accessed November 15). In contrast, Nicaraguan goods exports to China totaled \$18 million in 2021, with imports exceeding \$1.1 billion (OEC, accessed November 15). While the FTA should help Nicaraguan exports, if trade with the United States dries up, China will not make up for any shortfall. The Ortegas must be mindful of the limits of Managua's relations with Beijing, as well as the point at which close ties to China could jeopardize Nicaragua's membership in the CAFTA-DR.

The Trump and Biden administrations have demonstrated that the United States is willing to weaponize economic measures to pursue its national interests. The United States can increase economic pressure on Managua, but Washington's rationale must be clear. The political and ideological orientation of the Ortegas predisposes them to hostility toward the United States. However, they are also driven by monetary gain. There is thus a balance to be struck if the United States wishes to improve its ties with Nicaragua. On the one hand, the United States is unlikely to be willing to impose economic sanctions on the scale of Cuba or Venezuela. On the other, Nicaragua is less interested in the conditional lending and transparency requirements of the sort that financing from the United States would offer.

As such, the rest of this decade will likely see ever closer ties between China and Nicaragua. Politically, the Ortegas need a "significant other"—a geopolitical rival in the form of the United States—to help maintain their autocratic dynasty. The imposition of additional US sanctions will further entrench this view. It is in China's strategic interests to have a friend in the United States's "backyard." The relatively small capital intensity of infrastructure projects in Nicaragua also preclude the developmental headaches that have afflicted other projects in Ecuador, Pakistan, Sri Lanka, and Venezuela. Although the Chinese economy is struggling, Beijing's Latin American policy still has considerable momentum, exemplified by Nicaragua's rapprochement with China.

Nicaragua fits into a broader picture of Latin America and the Caribbean's significance in China's long-term strategy. The region offers a wealth of critical resources needed for China's economic development and projection of political influence, especially in the promotion of a multipolar world order—this implies the dilution of American power. Much of this has been outlined in China's first and second Policy Papers on Latin

America and the Caribbean, which included references to the PRC's stated core values such as win-win relationships, enhancing political, cultural, and economic ties, as well as to adherence to the One China policy (<u>Xinhua</u>, November 24, 2016; <u>USC</u>, April 20, 2009). With offers to underwrite longstanding infrastructure projects—but not lectures on domestic politics—as well as a strategic need for what Latin America offers, through the first two decades of the 21st century, China has developed considerable momentum in the region.

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