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U.S. WILL SEND TAIWAN \$619 MILLION IN ARMS AMID PLA PRESSURE

The State Department has approved the sale of \$619 million in new weapons to Taiwan, including F-16 missiles, 200 anti-aircraft Advanced Medium Range Air-to-Air Missiles, and 100 AGM-88B HARM missiles that can take out land-based radar stations. Beijing said it was "firmly" opposed to the sale, adding that the U.S. should stop arms sales to and military contacts with Taiwan. Meanwhile, Taiwan saw yet another day of large-scale PLA air force incursions; this time 21 aircraft, 17 J-10 fighters and four J-16 fighters, entered its air defense identification zone. (Reuters, March 2, 2023)

CHINA BUILDING SCORES OF COAL POWER PLANTS

Last year, China granted permits to build 82 new coal-fired projects across the country, which cumulatively will add 106 gigawatts of capacity - the highest amount in seven years and four times higher than in 2021. Local governments are moving quickly, with 50 gigawatts of construction already underway. The new coal burning plants in China, which is responsible for about half of the world's coal production and consumption, are equal to six times the amount of total coal capacity added by the rest of the world in 2022. (Washington Post, February 26, 2023)

CHINA LAUNCHES SATELLITES TO COMPETE WITH STARLINK

In September, state-owned spacecraft and missile manufacturer China Aerospace Science and Industry Corp. (CASIC) plans to launch the country's first "very low" Earth orbit satellites (altitude 150-300 km), state media reports. State-owned China Satellite Network Group Corp. said in 2020 that it planned to build almost 13,000 low-earth orbit satellites (altitude less than 1000 km). But progress on the project has been slow, and analysts estimate that China is currently operating several hundred such satellites, and by 2027 will have about 4,000. (Reuters, March 2, 2023)

[EDITOR'S NOTE: Starlink, operated by Elon Musk's Space X, has a network of more than 3,500 satellites in low-Earth orbit. It has tens of thousands of users, and plans to add thousands more satellites to its system. While Chinese firms have already launched a few satellites, the gap with Starlink is expected to remain sizable for the next decade.]

LOCAL DEBT RINGS ALARMS

Most of China's provincial governments - at least 17 out of 31 - are facing a serious funding squeeze, with outstanding borrowing exceeding 120% of income in 2022, the Ministry of Finance's threshold for "high" debt risk. Tianjin, a provincial-level city, is in the worst condition, with debt almost three times as large as its income. The high debt levels are forcing some localities to scale back spending and push the central government to spend more. The People's Bank of China may also keep interest rates low to keep the provinces' repayment burden under control. "Rising debt levels imply higher debt repayment and servicing costs for local governments and limit their room for fiscal stimulus amid falling return on capital," said Lisheng Wang of Goldman Sachs. (Bloomberg, February 28, 2023)

YOUNGER CHINESE STRUGGLE TO FIND EMPLOYMENT

Beijing is adopting policies to encourage firms to hire younger workers and offer more training subsidies and apprenticeships. The measures come in response to the high youth unemployment rate, which was 13% before the pandemic and peaked in July, when nearly 20% of Chinese 15-24 years old were out of work. With fewer private sector jobs available, Chinese college graduates, who had shunned the public sector, are now sitting for civil service exams in record numbers. But over the past three years, many local governments blew their budgets fighting COVID and are also facing large-scale layoffs. "This is probably the worst time in the last two decades for young people in China to either regain employment or find their first jobs," Kevin Lin at the Asian Labour Review. (Deutsche Welle, February 27, 2023)