

> CENTER FOR CHINA ANALYSIS REPORT

CHINA 2024

WHAT TO WATCH



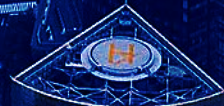
ASIA SOCIETY
POLICY
INSTITUTE

Center for
China Analysis

花旗集团

citi

MIRAE ASSET



A REPORT BY
ASIA SOCIETY POLICY INSTITUTE'S
CENTER FOR CHINA ANALYSIS

January 2024



With a solution-oriented mandate, the Asia Society Policy Institute (ASPI) tackles major policy challenges confronting the Asia-Pacific in security, prosperity, sustainability, and the development of common norms and values for the region. The Asia Society Policy Institute is a think- and do-tank designed to bring forth policy ideas that incorporate the best thinking from top experts in Asia and to work with policymakers to integrate these ideas and put them into practice. As part of ASPI, the Center for China Analysis (CCA) aims to unravel China's complexities to deliver independent policy-relevant analysis. Drawing on an "inside out" approach to China analysis, with an emphasis on Chinese-language sources, more than 30 CCA staff and fellows, located around the world, work on issues related to China's domestic politics; economy and technology; foreign policy and national security; climate, energy, and environment; and contemporary Chinese society, culture, public health, and education.

The Asia Society Policy Institute's Center for China Analysis and the Asia Society take no institutional positions on matters of public policy and other issues addressed in the reports and publications they sponsor. All statements of fact and expressions of opinion contained in this report are the sole responsibility of its authors and may not reflect the views of the organization and its board, staff, and supporters.

ACKNOWLEDGEMENTS

The authors wish to express their great appreciation to Inger Marie Rossing, Wendy Ma, and Clara Lambert for their outstanding support in the preparation and publication of this report.

THE ASIA SOCIETY POLICY INSTITUTE'S CENTER FOR CHINA ANALYSIS

Web: AsiaSociety.org/ChinaAnalysis

X: @AsiaPolicy

Facebook: [Facebook.com/AsiaPolicy](https://www.facebook.com/AsiaPolicy)

Email: policyinstitute@asiasociety.org

NEW YORK

725 Park Avenue
New York, NY 10021
+1 212 288 6400

WASHINGTON, D.C.

1779 Massachusetts Avenue NW, Suite 805
Washington, D.C. 20036
+1 202 833 2742

CONTENTS

Foreword A Vexing Year Ahead for China	5
About the Authors	7
China's Economy Will Continue to Struggle Nathan Levine	8
Xi's Prioritization of Security Will Continue to Weigh on Growth Diana Choyleva	10
Eroding Trust Could Further Undermine Confidence in Governance and Development Jing Qian	12
Economic Slowdown Will Drive Public Discontent Lynette Ong	14
Purges in the Provinces as Local Liabilities Rise Neil Thomas	16
Xi Will Adopt a More Oracular Leadership Style Neil Thomas	18
China Will Accelerate Climate Resilience as a Security Priority Taylah Bland	20
China Will Act to Reestablish its International Climate Leadership Kate Logan	22
China Will Accelerate Its Pivot to the Global South Bates Gill	24
Two Elections Will Challenge Chinese Foreign Policy Lyle Morris	26

Foreword

A Vexing Year Ahead for China

Economic headwinds. High-level purges. Social discontent. Extreme weather events. Worsening geopolitical environment. The year 2023 was in many ways a very difficult one for China.

Looking ahead to 2024, are matters likely to improve? In short: not by much.

Across the economy, society, politics, the environment, and foreign policy, the team at the Asia Society Policy Institute's Center for China Analysis largely foresees a vexing year ahead for China as challenges continue to proliferate — though some positive opportunities, at home and abroad, present themselves as possible exceptions. In this inaugural annual report, our analysts forecast ten key developments to watch in the year ahead:

- 1. China's economy will continue to struggle:** Beijing is likely to again set an official growth rate of around 5% for 2024 but may find meeting this goal a real challenge. Lagging consumer demand, a persistent real estate crisis, and the unlikelihood of a comprehensive government stimulus amid significant concerns about debt and fiscal stability, especially at the local level, will continue to drag heavily on China's economy in the year ahead.
- 2. Xi Jinping's prioritization of security will weigh on growth:** An important factor behind China's economic woes will be President Xi's overriding emphasis on "comprehensive security" as a paramount policy priority. This laser-like focus on security, stability, and national "self-reliance" makes it more likely that efforts to boost investor confidence may falter and an exodus of foreign capital will persist, potentially leading to stealth controls on international capital to maintain the yuan's stability.
- 3. Eroding trust could further undermine confidence in governance and development:** A growing "trust deficit" is today reshaping the dynamics among China's political elites, between the state and society, between central and local governments, and within the general populace. Accentuated by — and contributing to — China's economic slowdown, this erosion of trust is exacerbating political instability, policy unpredictability, social fragmentation, and other governance challenges and risks potentially leading the country into a uniquely "Chinese-style" modernization trap.
- 4. A slowing economy will drive growing public discontent:** The combination of slowing economic growth and erosion of trust could heighten public discontent and even drive new protests in 2024. Events of nationwide significance — such as the death in late 2023 of former premier Li Keqiang — have the potential to become flashpoints for broader public and elite dissatisfaction.
- 5. We will see purges in the provinces as local liabilities rise:** Worsening fiscal challenges combined with growing central vs. local distrust are leading to intensified scrutiny of local finances and leaders. This is helping trigger a wave of political and anti-corruption purges in the provinces, especially in poorer regions — leading to new levels of political disruption and policy stagnation.
- 6. Xi will adopt a more oracular leadership style:** Xi's method of governing shows signs of increasingly shifting to one of "delegated centralization," in which he assigns day-to-day decision-making to trusted aides, while he focuses on a grand strategy. This may further secure Xi's image and power but will also increase policy fragmentation, amplify tensions between security and development priorities, and reduce the effectiveness of international diplomacy.

- 7. China will make domestic climate resilience a security priority:** Amid a worsening global climate and following recent tragic experiences with climate-induced extreme weather events, China is primed to make climate adaptation and resilience efforts a major priority in 2024. These will be framed as national security issues, overlapping with other high-priority security issues favored by Xi Jinping, including food, water, energy, and infrastructure security.
- 8. China will act to reestablish its international climate leadership:** To respond to growing demands by the international community and shift global climate-related attention away from China, while also advancing its own national interests, China is likely to offer a more concrete climate plan in 2024. This may include ramping up climate-related spending in developing countries and slowing or incrementally ending the construction of new coal plants domestically.
- 9. China will significantly strengthen its pivot to the Global South:** Motivated by deteriorating relations with the advanced Western world and a need to secure greater access to raw materials; develop new markets; garner political support; and bolster its diplomatic, security, and economic influence on the world stage, China will increasingly turn its attention to building relations with the countries of the developing world. In 2024, this will mean additional development aid, high-profile diplomatic extravaganzas, and a larger operational presence by Chinese military and police forces in the Global South.
- 10. Two big elections will greatly complicate Chinese foreign policy:** The January 13 election of Lai Ching-te of the more independence-minded Democratic Progressive Party as president of Taiwan presents a significant early political and policy challenge for Xi in 2024. The U.S. presidential election later in the year may prove similarly pivotal, determining the trajectory of U.S.-China relations for the next four years and beyond. Beijing is likely to continue its freeze on political ties with Taiwan and escalate its military pressure on the island, while using most of 2024 to make what preparations it can to mitigate against and, if possible, capitalize on a possibly chaotic shift in U.S. political leadership.

Utilizing its unique “inside-out” approach to China analysis, including emphasizing the use of Chinese sources and leveraging a growing global network of diverse expertise, the Center for China Analysis will keep a close watch on these and other critical developments throughout 2024. Dedicated to unraveling China’s complexities and providing independent, policy-relevant analysis, we are pleased to present ***China 2024: What to Watch***.

Bates Gill, Executive Director, Center for China Analysis

Jing Qian, Co-Founder and Managing Director, Center for China Analysis

About the Authors

Taylah Bland is the Senior Program Officer for the China Climate Hub and an Affiliated Fellow on Climate and the Environment with the Asia Society Policy Institute's Center for China Analysis. She specializes in China's domestic climate politics and international environmental law and diplomacy. She is a graduate of New York University, Shanghai, and Tsinghua University where she was a Schwarzman Scholar.

Diana Choyleva, a leading expert on China's economy, is Founder and Chief Economist at Enodo Economics. She has analyzed China since 2000 and has co-authored three books. In 2023 she joined JPMorgan Asia Growth and Income plc as a Non-executive Director to the Board, and the Asia Society Policy Institute's Center for China Analysis, as a Non-Resident Senior Fellow on the Chinese economy.

Bates Gill is Executive Director of the Asia Society Policy Institute's Center for China Analysis. Dr. Gill has a 30-year global career as a scholar, policy advisor, and institution-builder with a focus on China and Indo-Pacific affairs. His most recent book is *Daring to Struggle: China's Global Ambitions under Xi Jinping* (Oxford University Press).

Kate Logan is Associate Director of Climate at the Asia Society Policy Institute and a Fellow at the Asia Society Policy Institute's Center for China Analysis. She has followed and analyzed China's climate, energy and environmental performance for over a decade at major think tanks, philanthropies, multilateral organizations, and NGOs.

Nathan Levine is a Research Fellow at the Asia Society Policy Institute's Center for China Analysis, where he previously served as Assistant Director. An expert on U.S.-China relations and China's politics and foreign policy, he is an independent consultant, analyst, and writer. Nathan previously worked as a consultant with The Asia Group and as a researcher with Harvard's Belfer Center for Science and International Affairs.

Lyle J. Morris is Senior Fellow for Foreign Policy and National Security at the Asia Society Policy Institute's Center for China Analysis. Prior to joining ASPI, Lyle was a Senior Policy Analyst at the RAND Corporation and served in the Office of the Secretary of Defense (OSD) as the Country Director for China.

Lynette Ong is Professor of Political Science at the Munk School of Global Affairs and Public Policy, University of Toronto, and a Senior Fellow at the Asia Society Policy Institute's Center for China Analysis. Her latest book, *Outsourcing Repression: Everyday State Power in Contemporary China*, has won multiple international best book awards. Her research has been covered in the *New York Times*, *Economist*, *Washington Post*, and other major media outlets.

Jing Qian co-founded the Asia Society Policy Institute's Center for China Analysis alongside the Hon. Dr. Kevin Rudd, to whom he served as a Senior Advisor for almost a decade. As the Managing Director, Jing leads CCA's strategy, research, and policy work on China, including a series of Track 1.5/2 dialogues. Jing co-leads the [Decoding Chinese Politics](#) and [Cure4Cancer](#) projects, and serves as an [Advisory Board Member of the Bloomberg New Economy](#).

Neil Thomas is a Fellow on Chinese Politics at the Asia Society Policy Institute's Center for China Analysis, where he studies Chinese elite politics, political economy, and foreign policy. Previously, he was a Senior Analyst for China and Northeast Asia at Eurasia Group, a Senior Research Associate at MacroPolo, and a lecturer at the University of Chicago's Harris School of Public Policy.

China's Economy Will Continue to Struggle

Nathan Levine

What We're Watching

Among the most pivotal questions of the year ahead is the pace and direction of Chinese economic growth. In short: is China's economy facing recovery or stagnation in 2024? Or — if some more alarmist observers are to be believed — is it on the precipice of an even deeper and more sustained economic decline? The answer will substantially impact not only the future of China but also the future of the entire global economy and the geopolitical balance of power and global influence.



Photo by Hector Retamal/AFP via Getty Images

The Context

China's economy has struggled to bounce back since the COVID-19 pandemic, when the government's draconian "zero COVID" lockdowns helped crush consumer spending and overall economic activity for a sustained period. However, many economists point to much deeper and longer-running structural problems in the Chinese economy as having come to a head over the past several years, trapping China in a "new normal" of significantly slower growth.

In this view, China's economy faces deep structural problems and is increasingly running into the limits of its current growth model. For decades, China relied on investment-led growth, pouring money into infrastructure, real estate, and export-driven industrial manufacturing, while consumers maintained a high savings rate. That model is no longer performing: public investment has reached a point of severe diminishing returns, China is now awash in high levels of debt, and overspending on a property construction bubble has led to a significant crisis. Further weighing on the economy is largely stagnant productivity growth and a private sector shaken by President Xi Jinping's insistence on growing the Party-state's control over the economy and finance.

The obvious solution to this impasse would be to shift to a growth model driven by a much higher share of consumer spending. So far, however, Chinese consumer demand has remained sluggish in 2023. Consumers have signaled that they remain deeply wary about the future, still saving an average of 2% more of their income than before the pandemic (when they already had among the highest savings rates in the world). Moreover, the economy fell into deflation in 2023, creating spiraling incentives to wait to spend. China also faces a serious long-term demographic crisis, further threatening its ability to grow rich before it grows old.

Although China officially met its annual growth target of "around 5%" in 2023, with 5.2% growth according to official data, most economists predict these structural factors will only further weigh on China in 2024.

China's Economy Will Continue to Struggle

The International Monetary Fund (IMF) forecasts growth will slow to 4.6%, while other leading economists predict growth to fall below 4%. Beijing, however, is poised to again set an official growth rate of around 5% in March, according to policy insiders involved in the deliberations of China's Central Economic Work Conference (CEWC), held in December 2023.

Achieving this target will likely require significant policy changes, however. The Chinese property sector (which still represents some 23% of GDP) shows no signs of recovery — or even that it has yet hit bottom. Restoring robust growth, therefore, will largely hinge on whether Chinese consumers can be convinced to spend, and private sector entrepreneurs to invest. Beijing has signaled only limited action is likely forthcoming, however, including a minor shift in rhetoric at the CEWC from “stability” to “progress,” hinting at a potentially minor expansion of stimulus measures. Overall, however, the CEWC declared that China must “adhere to high-quality development as the hard truth of the new era” — signaling the economy should indeed be prepared for a long slog.

What to Expect in 2024

- China will likely again set an official growth rate of around 5% for 2024 but may struggle to meet it.
- Consumer demand is likely to continue to lag, while the ongoing real estate crisis is likely to continue to reverberate throughout 2024.
- Sweeping government stimulus efforts are highly unlikely amid continuing fiscal and debt concerns.
- A broader financial crisis or economic recession is unlikely, but China's economy is likely to continue to at best muddle through in 2024 rather than demonstrate a significant recovery.

Xi's Prioritization of Security Will Continue to Weigh on Growth

Diana Choyleva

What We're Watching

Xi Jinping has elevated an all-encompassing concept of “comprehensive national security” as the Party-state’s top priority. This focus on security, when combined with Xi’s reemphasis of Marxist-Leninist ideology, is now clashing with Beijing’s concurrent goal of sustaining Chinese economic growth. Whether Xi is willing to ease off the prioritization of security for the sake of addressing China’s mounting slow-motion economic crises and restoring growth has emerged as a key question for assessing China’s direction in 2024.



Photo by Noel Celis/Pool/AFP via Getty Images

The Context

China’s economy has begun to flounder as debt deflation, international decoupling, and depressed consumer and private sector confidence have combined to present the sternest test for the Chinese development model since Beijing began its period of reform and opening more than four decades ago.

Contributing to this challenge is China’s pivot under Xi Jinping toward more fundamentally autarkic, statist, and ideological policies. In this environment, private entrepreneurs have reduced their willingness to invest for the long term, while foreign investors have also become wary and are increasingly pulling their money from China. Chinese consumers have hedged by increasing their savings at the same time Beijing is desperate to boost consumer spending as an engine of economic growth.

A primary cause of this contradictory approach is Xi’s overriding emphasis on national security, including China’s need for technological and economic “self-reliance” to fend off threats he sees posed by the United States and its allies, which he has accused of waging a campaign of “encirclement and suppression.” So far, Xi has demonstrated a willingness to double down on national security even at the expense of growth, if necessary.

Economic challenges in 2023 led to subtle critiques within China of Xi’s ability to lead the country in a positive direction; toward the end of the year, Beijing began to shift its policy toward prioritizing growth. This included a change in diplomatic approaches, with Xi meeting with U.S. President Joe Biden and U.S. business leaders in San Francisco in an attempt to reassure American and international investors that they are welcome and can still find attractive opportunities in China. Regulators also worked to further level the playing field for private enterprises, including developers seeking to stem an ongoing crisis in the property sector. And China’s annual Central Economic Work Conference concluded in December with a nod to the need to balance development with

Xi's Prioritization of Security Will Continue to Weigh on Growth

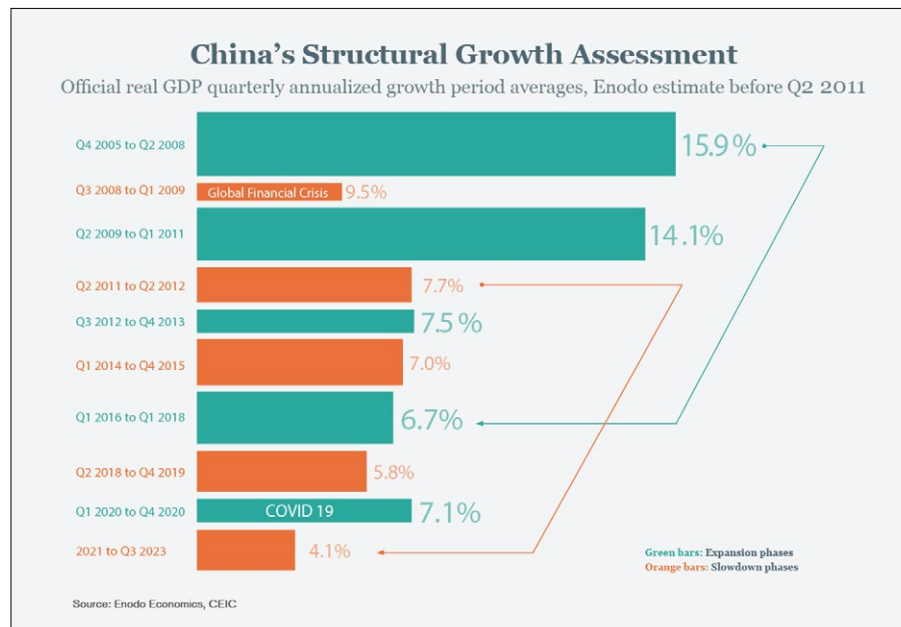
security, declaring that economic work will be the central task for 2024. It offered no concrete solutions, however.

So, it remains unclear whether the actions taken so far entail a substantial and lasting elevation of economic development to be genuinely on par with national security, or whether these steps merely represent a tactical pause in Xi's relentless pursuit of geopolitical and ideological goals.

What to Expect in 2024

- Beijing's current charm offensive aimed at boosting foreign investor confidence in China will fall short and the exodus of Western capital will persist.
- China will continue to struggle with debt, and business and consumer confidence may not substantially improve.
- This could ultimately lead to the imposition of stealth controls on international capital, as preferable to a yuan devaluation that would outright undermine Beijing's long-standing efforts to present China's currency as a stable alternative to the dollar.

Xi has repeatedly sought to rally China's people to prepare for an as-yet-to-be-defined painful struggle. It remains to be seen how willing the population will be to endure this, and if economic hardship and diminished prospects for development will spark any popular or elite political discontent, or if such discontent could be enough to alter Xi's long-term policy platform.



Eroding Trust Could Further Undermine Confidence in Governance and Development

Jing Qian

What We're Watching

China is currently marked by a notable, accelerating erosion of trust. This decline is reshaping the dynamics between political elites, the state and society, central and local governments, and among the general populace. This erosion of trust could potentially lead to a unique “modernization trap,” undermining confidence in China’s governance and development.

The Context

China is currently experiencing a simultaneous erosion of trust across multiple domains:



Among political elites: Since the advent of the 20th Party’s Congress in 2022, China has witnessed a pronounced transformation in elite political dynamics. The combination of relentless anti-corruption campaigns and an aggressive push toward concentration of power has disrupted the previous relatively stable equilibrium. This has led to a breakdown in the predictability of the rules and norms of elite politics, and a diminishing sense of consensus and security among the political elite.

Between the state and society: In the post-Mao era, China has operated under an implicit social compact: political compliance in exchange for increasing prosperity. However, the resurgence of Marxist-Leninist ideology has transformed the once-celebrated maxim “to get rich is glorious” into “to get too rich is dangerous.” This ideological shift, together with a strategic pivot from prioritizing economic growth to emphasizing security, has led to policy inconsistencies, as starkly revealed during the COVID crisis. These developments have significantly eroded the long-standing pact among the government, private entrepreneurs, and society at large, resulting in a substantial and likely enduring trust deficit.

Between central and local governments: China’s governance framework is evolving, characterized by increased centralization of power. As local governments grapple with financial challenges due to dwindling revenues from land sales and a lack of new revenue sources, their ability to effectively implement national policies is increasingly questioned by the central government. This situation is exacerbated by local protectionism, which further complicates the central-local relationship. Coupled with a shift in the criteria for evaluating and promoting officials, from performance-based metrics to political loyalty, this has produced a noticeable impact on the efficiency and enthusiasm of local bureaucracies, historically essential for the rise of political elites. These shifts within China’s

Eroding Trust Could Further Undermine Confidence in Governance and Development

governance structure are leading to a growing erosion of trust between central and local governments, adding complexity to the dynamics of China's political landscape.

Among the general populace: The expansion of the Party and state's control and influence over more and more aspects of life is shrinking space for the private sector, civil society and non-governmental organizations, and the practical activities of everyday self-governance. Concurrently, state-led security campaigns encouraging community members and students to surveil and report on each other (especially on specific groups of particular suspicion, such as overseas returnees and teachers) are further eroding basic social trust and altering social dynamics.

What to Expect in 2024

- **Greater political instability:** with a record number of political purges in 2023, continuous changes in political rules and norms, and intensifying power struggles, the political landscape in 2024 may become increasingly unpredictable.
- **More economic unpredictability:** economic challenges, a yet unclear chain of economic decision-making authority, and the breakdown of the established social compact between state and society mean that overall confidence in the Chinese economy will remain constrained.
- **Societal fragmentation:** declines in societal trust could lead to greater social fragmentation, as individuals and groups are further atomized from traditional community structures and grow more distrustful of institutions and each other.
- **Governance challenges:** Chinese central and local governments may confront increased governance challenges, including reduced capacity to respond effectively to unforeseen events, such as social unrest, natural disasters, or international instability.



无信不立
(Without Trust,
Nothing Stands)

Overall, by 2024 China could find itself ensnared in a unique modernization trap marked by internal trust deficits and governance challenges that broadly undermine its ability to develop. Avoiding this scenario hinges on the Chinese leadership's ability to rebuild trust and confidence within the country, as well as on the international stage.

Economic Slowdown Will Drive Public Discontent

Lynette Ong

What We're Watching

Slowing economic growth, high youth unemployment, stagnating wages, and middle-class investments lost due to the real estate crisis are among an array of factors now generating popular discontent in China — and potentially undermining social and political stability. As economic difficulties mount, such social pressure is continuing to build. Political pressure on the Party and on Xi Jinping personally to meet popular expectations, therefore, appears set to continue to grow in 2024.



The Context

China is facing an economic slowdown that is largely structural in nature, with traditional investment-led engines of growth, such as real estate and construction, in decline. This structural decline was accentuated by three years of pandemic lockdowns, which badly impacted small and medium-sized businesses and accelerated a global relocation of supply chains out of China. Consumer confidence has been badly hit over the past several years, as has that of private sector investors.

For the government, this presents a serious and growing problem. Since at least 1989, the de facto social contract between people and the state in China was that the people would accept the Party's authority and restrictions on political rights in exchange for rapid growth in prosperity. And for decades, the Party seemed to deliver on this promise, with China experiencing rapid growth and modernization. Notably, many Chinese under age 40 have no previous experience of an economic recession in their lifetimes. Now the situation has changed, and quite suddenly.

In June 2022, youth unemployment rates hit a record high of 21%; the government then responded to such unfavorable data by announcing it would cease publishing unemployment statistics. The issue of high youth unemployment, including among college-educated young people, is likely of serious concern to the Party-state, especially after the "white paper" protests of November 2022, when protestors, most of them college students, gathered not only to demonstrate against strict pandemic restrictions but also to explicitly shout such sentiments as "down with the CCP!"

Meanwhile, the economic situation has spurred other protest as well. The dramatic contraction of the property sector, which was precipitated by Xi's "three red lines" policies explicitly intended to deflate the real estate bubble,

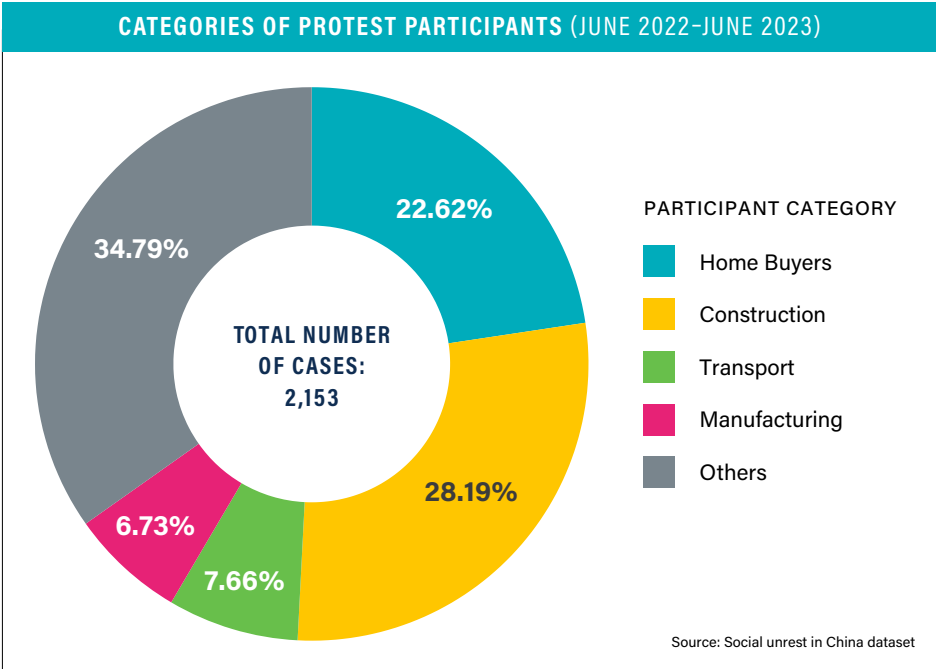
Economic Slowdown Will Drive Public Discontent

has undermined the fortunes of middle-class Chinese, who overwhelmingly save household wealth in the form of property. According to analysis by the Social Unrest in China project, from June 2022 to June 2023 construction workers and homebuyers were the two largest groups in non-pandemic-related protests, comprising 28.1% and 22.6%, respectively, followed by transport workers (7.6%) and manufacturing workers (6.7%). Discontent has also grown among migrant workers, who have seen demand for labor (and, therefore, wages) decline alongside construction and manufacturing.

Finally, wealthy Chinese elites are also undertaking a more subtle form of protest by increasingly engaging in unprecedented levels of capital flight, moving their assets to safe havens abroad, such as Singapore and London.

What to Expect in 2024

- There is a real chance that instances of public protest and other signals of discontent will increase in 2024.
- Events of nationwide significance, such as the death in late 2023 of former premier Li Keqiang, have the potential to become flashpoints for broader public or elite dissatisfaction and will be viewed with particular unease by Party leadership in 2024.



Purges in the Provinces as Local Liabilities Rise

Neil Thomas

What We're Watching

Property-related fiscal challenges, debt burdens, lax policy implementation, and other issues will drive increased scrutiny of local officials by China's central Party-state. Meanwhile, many local governments are in increasingly dire financial straits. The results include policy paralysis, steadily increasing central-local tensions, and a growing wave of anti-corruption purges in the provinces that are reshaping Chinese politics.

The Context

Local government debt is a significant and growing risk to China's economic stability, rising from 62% of GDP in 2019 to 76% in 2022. Local governments are seeing revenues from land sales and taxes sink with the struggling property market, returns from infrastructure fall after years of over-construction, and liabilities mount as many struggle to pay off bills incurred to maintain the central government's strict zero COVID policies from 2020 to 2022.

In 2023, the Party proposed a basket of measures to reduce local government debt risks, as well as a long-term mechanism to resolve such risks. Part of this effort will involve investigations of local finances by the Party's Central Commission for Discipline Inspection (CCDI) and the State Council's National Audit Office. They will now have extra political backing from the new Central Financial Work Committee, which exists to enhance Party discipline in the financial sector.

In August 2023, the CCDI announced the detention of Sun Zhigang, a retired Party Secretary of Guizhou, a few months after the province declared itself unable to resolve its debt problems. Political insiders attribute his detention at least partially to Guizhou's debt issues. The incident is one of what appears to be a growing wave of cases in which the central government is attempting to use anti-corruption and Party discipline mechanisms to address — or at least show the appearance of addressing — worsening local government fiscal problems.

What to Expect in 2024

- Central scrutiny of local government finances and operations will intensify in 2024, with the Party's formidable internal discipline apparatus targeting provincial leaders judged culpable for ballooning local debt.
- A significant political story of 2024 could be purges in the provinces, rather than personnel dramas in the



Purges in the Provinces as Local Liabilities Rise

capital, as was the case in 2023. Such a campaign would likely be most concentrated in China's poorer and more indebted provinces in the northeast and southwest, creating political disruption and policy stasis in affected areas.

- Localities everywhere will face more pressure to reduce debt, potentially leading to more incentives to support private firms and boost growth and revenue. However, pressure to cut expenditures may also reduce the provision of public services, potentially contributing to rising social tensions — an outcome that creates different policy headaches for Beijing.

Xi Will Adopt a More Oracular Leadership Style

Neil Thomas

What We're Watching

Xi Jinping is subtly shifting his governance style. He is beginning to adopt an approach of “delegated centralization,” in which he cedes none of his centralized authority but progressively delegates more of the finer points of policymaking to trusted aides. This move to a more “oracular” leadership position, which resembles the model of Mao Zedong and Deng Xiaoping, is likely to only further secure Xi’s power. But it will also increase the volatility of policymaking in Beijing and reduce the scope for effective diplomacy with China.



The Context

Both Mao and Deng increasingly eschewed day-to-day politics as they aged in favor of paying more attention to political grand strategy. Xi began showing signs of following a similar pattern in 2023, including delegating more duties and decisions to close confidants such as Li Qiang, Cai Qi, He Lifeng, and Chen Yixin. He has also attended fewer domestic policy meetings and made fewer trips abroad compared to the same point in his previous two terms in office.

Xi has focused more of his time on culture, ideology, Party building, and touring the country to evaluate policy implementation. He appears to have placed greater trust in his lieutenants, for instance allowing Li Qiang to advance more business-friendly policies in the State Council, and delegating the task of pursuing more robust national security policies to leaders such as Cai Qi.

Rather than showing political weakness, this shift reflects the dominance of Xi’s position following his factional sweep of the 20th Party Congress. He has surrounded himself with close political allies and ousted his potential rivals. A more oracular style now allows him to conserve energy as he ages, further control access to himself, deflect blame for anything that goes wrong, and preserve his dominance by balancing governance responsibilities among emerging sub-factional networks.

This may result in greater political volatility and more questionable policymaking, however, with Xi relying on an ever-closer circle of trusted advisors who increasingly compete for his favor. It may also limit the impact of international diplomacy by further isolating Xi — still the ultimate decision-maker despite appearances — from the outside world.

What to Expect in 2024

- We will see more of this oracular style in 2024, with more accompanying confusion and volatility. For example, while investors and multinationals may see some upside in terms of a looser approach to intervention in the economy, a greater number of independent policymaking centers may compete to win Xi's favor by demonstrating their fervent commitment to what they interpret to be his priorities — such as by launching security-related crackdowns.
- Xi will travel abroad mostly only for major summits in friendly countries, such as to the Shanghai Cooperation Organization (SCO) in Kazakhstan, BRICS in Russia, G20 in Brazil, and Asia-Pacific Economic Cooperation (APEC) in Peru.
- Other leaders, especially Premier Li Qiang, could travel more to conduct diplomacy with U.S. allies in Asia and Europe. This would reflect a shift to focus diplomacy with the West on trade and investment, while saving geopolitical energy and strategic engagement for China-friendly forums more aligned with developing countries.

China Will Accelerate Climate Resilience as a Security Priority

Taylah Bland

What We're Watching

Having experienced particularly disastrous extreme weather events in 2023 — due in part to the intensification of the impacts of a changing global climate that increasingly threaten China — we should expect Beijing to devote a growing share of its attention to domestic climate resilience and adaptation measures in 2024.



The Context

China was hit by a number of climate-induced extreme weather events in 2023, including a period of unrelenting summer rain that caused intense flooding around the Beijing-Tianjin-Hebei region. At one point, precipitation exceeded 60% of a typical year's rain in just 83 hours; Beijing experienced its heaviest rainfall in 140 years. Nearly two million people were affected by flooding, causing nearly a hundred deaths; much of the major agricultural region's crops were destroyed, and economic losses totaled more than \$13 billion. Meanwhile, China's northwest suffered a record-breaking heat-wave, with temperatures in parts of Xinjiang breaking 125 degrees Fahrenheit in July 2023.

These highlight the increasingly difficult climate environment faced by China, in which such extreme scenarios may become increasingly common. For Beijing, this is a political issue. Throughout Chinese history, extreme weather events — particularly flooding — and ruling governments' ability to respond to them have traditionally been viewed by the populace as a key test of legitimacy. Failure to respond effectively to natural disasters was frequently taken as an omen that a dynasty had lost the "mandate of heaven" — and indeed often played an instrumental role in the fall of governments. Chinese leadership is today keenly aware that they too must be able to effectively handle a changing climate and its impacts at home.

In 2022, China published a "National Climate Change Adaptation Strategy (2022–2035)," which aimed to strengthen China's societal and economic resilience to climate change. It promotes proactive adaptation by monitoring and predicting extreme weather, as well as increasing agricultural, water, and urban resilience, among other targets. But this ambitious strategy requires significant development and coordination among government departments, as well as significant investment of capital, labor, and bureaucratic attention.

What to Expect in 2024

- Acknowledging extreme weather as the new normal, Beijing will substantially increase its prioritization of domestic climate adaptation and resilience efforts, including comprehensive disaster prevention and response, to reduce its vulnerability.

China Will Accelerate Climate Resilience as a Security Priority

- This effort will be framed as an issue of national security, overlapping with other high-priority security issues favored by Xi Jinping, including food, water, energy, and infrastructure security.
- Chinese climate adaptation and resilience efforts will proceed regardless of the result of climate change negotiations at the international level but will need to accelerate.
- The Chinese public will become more aware of severe weather events and increasingly begin to make the connection between them and climate change.

China Will Act to Reestablish its International Climate Leadership

Kate Logan

What We're Watching

China has refrained from major new climate commitments in recent years, but a confluence of factors could prompt the country to actively position itself as a global leader on climate action in 2024. Doing so would respond to growing demands of the international community while also enabling China to advance its national interests.

The Context

Global progress on confronting climate change hinges on China, which accounts for around a third of global emissions. The last time China made headline commitments on climate was in 2020, when President Xi Jinping announced China's "dual carbon" targets to peak carbon emissions before 2030 and achieve carbon neutrality before 2060. Xi also said China would stop building new coal-fired power plants abroad in 2021. As China's economic picture began to worsen amid the pandemic, however, Beijing retreated from overt pledges as it sought to maintain flexibility in the face of concerns about energy security and its domestic economy. Yet, the country's emissions are now likely to peak well ahead of schedule, and clean energy has become a new engine for economic growth.

Two key interests could thus propel China to more actively substantiate its international climate leadership in 2024. The first is China's desire to shape expectations for expected climate targets — namely, on climate finance in 2024 and domestic emissions reductions in 2025. A high-profile U.S.-China climate statement in November 2023 clarified positions ahead of COP28 in Dubai the following month, but also exhibited key gaps on China's level of ambition for post-2030 emissions cuts and whether China should be obligated to financially support developing countries to meet their climate goals. China could take action to preemptively set expectations for upcoming targets and address outstanding questions around its climate action. As China's dual carbon targets show, it is willing to be a pioneer on the global stage when doing so can also help protect its core interests.

The second is China's international reputation. Concerns about China's massive pipeline of new coal power plants slated for construction are reaching an inflection point, including from climate-vulnerable developing countries that China wants to keep in its geopolitical orbit. Many of these same countries also struggle to access climate finance due to debt distress caused in part by Chinese lending. China's vocal emphasis on South-South climate cooperation at COP28 may foreshadow greater action by China to respond to these and other reputational pressures. Even recent language from China's typically hard-nosed top diplomat Wang Yi acknowledged that climate cooperation meets the "urgent needs and universal expectations of the international community."



What to Expect in 2024

- With tensions between climate progress and economic and energy security likely to persist, Beijing may introduce measures to allay global concerns about its coal power buildout while maintaining its “ambition via implementation” approach. This could balance out China’s overreliance on coal to protect its energy sector against geopolitical and technical disruptions, while also shifting global climate-related pressure away from China.
- China could also offer a more concrete plan for ramping up climate-related spending in developing countries, potentially in the form of a quantitative target for finance or clean energy capacity. Importantly, this could address domestic overcapacity in clean energy manufacturing by selling it in greater quantities abroad, especially to markets that concurrently advance Beijing’s security interests.

China Will Accelerate Its Pivot to the Global South

Bates Gill

What We're Watching

China is poised to significantly expand its attention on and economic, diplomatic, and security presence in the Global South in 2024, with a particular focus on developing countries in the Middle East, Africa, Latin America, and Central Asia. This will have significant near- and medium-term geo-economic and geopolitical repercussions and generate new fault lines between the developing world and the advanced economies of the Global West.

The Context

China's relations with the United States and the broader Global West — including the European Union and Australia — have deteriorated sharply in recent years. Although Beijing has made attempts to restore relations with these states, these efforts have met with limited success. Technological controls and economic barriers continue to proliferate as an incremental but substantial decoupling with the Global West has proceeded. Therefore, Beijing has increasingly embarked on a proactive pivot to make cultivation of relations with the Global South, rather than the Global West, the center of its geopolitical strategy. This strategy aims to secure access to raw materials; develop new markets; garner political support; and bolster China's diplomatic, security, and economic influence on the world stage.

Several Chinese initiatives and diplomatic breakthroughs have set the scene for much more to come in this regard in 2024. These include the high-profile rollout of three major new Chinese initiatives targeting the Global South: the Global Development Initiative (GDI) in 2021, the Global Security Initiative (GSI) in 2022, and the Global Civilization Initiative (GCI) in 2023. These initiatives set forth a development and political framework that Beijing believes will resonate among developing countries seeking to achieve a more equitable and stable world. Additionally, in 2023, China successfully brokered a reopening of long-suspended diplomatic ties between Iran and Saudi Arabia; held the first China–Central Asia Summit; oversaw the expansion of the BRICS grouping to admit Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates; and convened the Third Belt and Road Forum, which attracted senior leaders from more than 90 countries, mostly from the Global South.

What to Expect in 2024

- GDI, GSI, and GCI will gain greater profiles and resources for activities in the Global South, including billions of development aid dollars for African countries under the GDI.



China Will Accelerate Its Pivot to the Global South

- The Forum on China-Africa Cooperation (FOCAC), held every three years and set to convene in Beijing in 2024, will become a principal focal point for China's accelerated engagement with the Global South.
- At the BRICS 2024 summit, hosted by Russia, China will support admittance of several more countries to the body; more than 30 countries have expressed interest in joining, including Algeria, Bolivia, Cuba, Indonesia, and Kazakhstan.
- Beijing will press hard to insert language that aligns with the aims of the GDI, GSI, and GCI and its goals for transforming global governance into upcoming UN sessions and documents, including the high-profile "Summit for the Future" in September 2024.
- China will significantly expand the operational presence of its military and police forces in the Global South, including through training programs and new basing arrangements.

Two Elections Will Challenge Chinese Foreign Policy

Lyle Morris

What We're Watching

Two key elections — in Taiwan and in the United States — will test Xi Jinping's foreign policy strategy, pose new challenges for his "China Dream" of achieving the rejuvenation of Chinese national power, and reshape regional dynamics in the Asia-Pacific in 2024.

The January 13 election of Lai Ching-te of the more independence-minded Democratic Progressive Party (DPP) as president of Taiwan presents an early political and policy challenge for Xi. Similarly, the U.S. presidential election looming later in the year on November 5 will substantially determine the trajectory of U.S.-China relations for the next four years and beyond. The two drastically different styles of governance of the two likely candidates — incumbent President Joe Biden and former President Donald Trump — present China with substantial uncertainty about the future of U.S. domestic politics and foreign policy priorities.



The Context

Beijing regards the DPP as a secessionist party bent on permanently separating Taiwan from Mainland China. The DPP's victory challenges Xi's narrative that Taiwan is moving inexorably toward reunification with China. A third consecutive electoral triumph for the DPP — by one of the mainland's least favorite Taiwanese politicians — has therefore likely provoked a rethink in Beijing. It may even have concluded that Taiwan's public sentiment has irreversibly shifted in favor of formal independence. If so, the prospects for much greater Chinese pressure on Taiwan — perhaps even a coercive military takeover — could increase considerably, and we may see evidence of this shift in posture over the course of 2024.

In the United States, a Trump victory would inject tremendous uncertainty into an already volatile U.S.-China relationship. Trump's capricious, unpredictable style of leadership — on top of the usual disjunction of a change in presidential administrations — presents a major wild card for Xi and a Chinese system that prefers stability and predictability. On the other hand, Beijing may not necessarily view a change in administrations as entirely unfavorable. President Biden has largely continued the Trump administration's historically hardline China policies anchored in "strategic competition." In fact, Biden has arguably upped the ante by pushing an ideological, democracy vs. autocracy framing of the China challenge, rallying a much tighter coalition of democratic allies willing to act as a balance against Beijing and ramping up the scope and intensity of U.S. technology controls

Two Elections Will Challenge Chinese Foreign Policy

targeting China. While Biden has a much stronger personal relationship with Xi, long-term systemic rivalry will probably triumph over personalistic politics.

What to Expect in 2024

- Xi will aim to ward off independence-leaning tendencies following the election in Taiwan by continuing a freeze on official ties and likely escalating military pressure.
- Xi will use 2024 to signal China's intent for peace, stability, and win-win relations with the United States, while making what political preparations it can to both mitigate against and capitalize on a possibly chaotic shift in U.S. political leadership.

More from Asia Society Policy Institute's Center for China Analysis

The Geopolitical Implications of the Taiwanese Elections for China, the United States and the World

The "Rebirth" of Europe-Taiwan Relations: Explaining Europe's New Balance Between Beijing and Taipei

The New Domestic Politics of U.S.-China Relations

Decoding Xi's "Tone-Changing" U.S.-China Speech in San Francisco

The 2024 Taiwanese Elections: A Primer

Future Crises in the Indo-Pacific: The Shadow of Chinese Public Opinion

Together and Apart: The Conundrum of the China-Russia Partnership

The Beijing-Moscow Axis: Evolving European Perspectives

Interpreting Xi Jinping's Shifting Strategy on the Russia-Ukraine War

Unease, Not Confidence, Defines China's "Partnership" with Russia

China's Economy Ahead of the Third Plenum: The End of the "China Miracle"?

The End of Experimentation and Aspiration in Xi Jinping's China

China's Agenda at the UN General Assembly: What to Expect in 2023

The Rise of Xi Jinping's Young Guards: Generational Change in the CCP Leadership

Opportunities for Leadership: Loss and Damage Climate Financing and U.S.-China Strategic Competition

Key Factors Shaping China's Engagement With International Environmental Law

Picking the Rose, Leaving the Thorn: Why China's AI Regulations Are Worth Careful Examination

Europe's China Challenge: The Narrow Path for France, Germany, and the EU

"Generation N": The Impact of China's Youth Nationalism

What To Watch During the Two Sessions

Aerospace Engineers to Communist Party Leaders: The Rise of Military-Industrial Technocrats at China's 20th Party Congress

Taiwan Strait Crises: Island Seizure Contingencies

Cooperate, Compete, Confront, or Conflict: Comparing the China Components of the National Security Strategies of the Trump and Biden Administrations

Determining the Future of the Internet: The U.S.-China Divergence

China's Political-Economy, Foreign and Security Policy: 2023

The Last Generation: Why China's Youth Are Deciding Against Having Children

The Explosive Rise of Psychotherapy in China

Involution: The Generation Turning Inward and Away From Xi's Chinese Dream

China's 20th Party Congress Leadership Reshuffle: Stasis or Sweep?

What China's New Central Military Commission Tells Us About Xi's Military Strategy

2022, Xi Jinping's Annus Horribilis: Or is it?

Raising the Curtain on China's 20th Party Congress: Mechanics, Rules, "Norms," and the Realities of Power