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China 2030: Power in a Disrupted World

Edited by Ryan Young

Future Insights Papers are designed to help policymakers develop and test futures scenarios, conduct horizon scanning, and integrate futures analysis into their work. The Papers are designed to present provocative conversation-starters and arguable propositions, not definitive trend lists, or predictions about future circumstances. Every paper in the series is informed by consultation, and reviewed by experts.

Focus question

What trends and drivers will shape China's trajectory out to 2030?

To answer this question, the National Security College (NSC) Futures Hub used two analytic techniques.

- *Delphi method:* a survey of China scholars and NSC Futures Council experts.

- *Quadrant method:* facilitated workshops with China scholars and government officials to develop a matrix of intersecting drivers and explore alternate future for China.

Politics

Chinese leader Xi Jinping has recentralised political power, and reasserted the primacy of the Chinese Communist Party (**CCP**) in all spheres of life. The now-permanent anti-corruption drive, and promotion of Xi's cult of personality and political orthodoxy, has further constrained space for open political discourse, even among elites. China's ongoing project of social control uses coercive and cooperative strategies to quell dissent – as in Xinjiang. In particular, Xi has promoted experiments with technologies of surveillance, censorship, and biometric targeting. This has led some scholars to argue that China's political system is evolving from 'fragmented authoritarianism' to populist totalitarianism, with digital characteristics.[1]

Leadership and succession

Xi, now 77, is effectively leader for life — well beyond the former two-term limit which would have seen him hand over power in 2023. He is yet to name a successor and may never do so. Without a guaranteed orderly transition of power, China may go through a period of sustained political turbulence when Xi leaves office (or falls ill). Some China analysts report an upsurge in internal CCP resentment towards Xi, driven largely by his anti-corruption purges, and business frustration with his left turn on economic policy. Others resent Xi's Mao-esque cult of personality.[2] More recently, there was an upsurge in domestic criticism of Xi's handling of the COVID-19 virus response, which the CCP attempted to mute through a massive propaganda and censoring campaign.

Yes, but: How far could popular dissatisfaction with Xi really go, given reportedly high levels of base and Party support for Xi? Under what circumstances could another party cadre realistically challenge him? And would another leader change the CCP's current ideological direction, which regime critic Xu Zhangrun of Tsinghua University has characterised as a combination of traditional Chinese legalist thinking, fascism and Stalinism?[3]

The answer could depend on lessons the CCP draws from the past. Xi has arguably been influenced by the collapse of the Soviet bloc — reflected for example in his consolidation of Party / PLA relations and reassertion of Party control over religion. Any successor who wanted to reverse Xi's political ideology may find inspiration in periods of political and economic liberalism from 20th century history. But winding back an entrenched system of digital control could prove difficult.

Yes, but: Even if Xi remains impervious to formal challenge, could sustained leadership failure on the economy or a governance crisis force Xi to change the direction of his leadership in some respects, despite mechanisms of purging and propaganda at his disposal?

Legitimacy and social control

The CCP has many sources of strength and legitimacy. Reforms in the last three decades have made the Party more inclusive and representative of Chinese society. Examples include bringing entrepreneurs into the Party in the '80s and '90s and including Hong Kong representation in top decision-making bodies. Management of the economy, Xi's anti-corruption campaign and nationalist 'China Dream' and Belt and Road Initiative seem popular so far. By 2030 we will also see the longer-term results of China's increasingly far-reaching experiment with mass digital social control.

Yes, but: CCP ideological narratives such as Xi Jinping Thought must compete with a host of more enticing media and online mass participatory gaming offerings, as well as potentially more emotionally satisfying systems of meaning such as established religions and new cults. Currently, religion is resurging in China. Christianity is the fastest growing religion in rural China. Similarly, China's many ethnic identities remain strong, as do emerging identities such as 'Hong Kongers'. Could these trends challenge the CCP's hold on parts of the population?

Or, will they be controlled via surveillance technologies or expanding Xinjiang-like strategies of repression? And in the end, will Xi's brand of propagandised nationalism trump identity politics?

The CCP's ability to continue organisational learning and adaptation is important to watch. In previous decades, the CCP has proven resilient to legitimacy challenges, often allowing just enough freedom to test social limits and identify trouble spots. But under Xi, nimbleness is giving way to zero tolerance — a trend that could make the CCP ever more vulnerable to the authoritarian cycle of overreach, backlash, and reprisal.

Governance

Another trend to watch is the quality of information flows between levels of government and public authorities. Early assessments of China's response to COVID-19, for example, suggest that the systems of censorship and control that have proliferated under Xi have exacerbated the central government's 'authoritarian blindness'. Officials keen to avoid the Party's displeasure may react slowly to developments on the ground, and suppress information that enables the central government to be effective and responsive.

> **Wildcard: Hong Kong Tragedy**
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> Beijing's patience with ongoing protest ends, and the military is deployed. However, things get out of control and there is significant loss of life on Hong Kong's narrow streets. Real-time footage of the tragedy is broadcast globally and the events quickly become described as a massacre. How would America, Europe, Japan and Taiwan respond? How would this effect anti-authoritarian social movements globally?

Economics

In 2030, China's economy will be the world's largest, but entangled with a complex and troubled global economy: interdependent, digitised, debt-driven, automating, unequal and pressured by rising geopolitical competition. Entanglement makes all countries vulnerable to shocks in China, from pandemics to debt crises.

End of the Chinese miracle?

New sources of sustained growth to lift employment and incomes will be increasingly elusive. The IMF projects that in 2030 China's growth will have slowed to 4%, with per capita growth lagging far behind advanced economies. China may have to manage a slowing and over-leveraged global and national economy, as well as the political effects of slow growth. What will Xi's appetite be for the ambitious market reforms he outlined in 2013 then largely abandoned? These include closing down unproductive state-owned industries and companies (especially in the corporate and real estate sectors) and curtailing shadow banking. While probably necessary,

these reforms will create more losers than winners at local and provincial levels. Will Xi continue to judge that market reform will undermine Party control?

Yes, but: Even without reform, China's economy is set to outpace its nearest rivals in size and growth rates by 2030. That said, its economic power will not be unbalanced: India's population will be larger; and looking out to 2050, the combined economic output of India, Indonesia and Japan (and India and the United States) is projected to exceed China's.

A 'middle income' trap?

States graduate to high-income status through consistent productivity growth. Some theorise that while repressive governments can be effective in the 'catch-up' phase of economic development, only open societies can drive the innovation needed to extend productivity further. Can the CCP achieve something historically unprecedented:

maintaining domestic repression and increasing barriers to cross-border culture, people and information flows while continuing to oversee solid growth?

Yes, but: China is arguably solving the innovation / productivity problem. It has bought, borrowed or stolen technology, and is now deeply integrated into global R&D chains. China's funding of R&D is now approaching 2.5% of GDP, which would see it equal the EU as the second largest R&D spender behind the United States. China also has fewer ethical constraints on experimentation, especially with genetics and nanotechnologies. For example, some commentators predict that China will produce the first genetically-enhanced humans in the next decade.[4]

Yes, but: Breakthroughs in science do not always translate to productivity gains. While ethical laxity may give China an edge in some respects, overreach could have negative social and political consequences.

Social policy

Delivery of public goods, including health and education, will be a critical challenge for the CCP. Demand for service delivery continues to increase as the population ages, inequality deepens, and social media fuels expectations, and is key to regime legitimacy. A healthy China has become a policy centrepiece for Xi, with announcements in recent years on expanding medical insurance with a view to ultimately building universal healthcare.

Yes, but: China's healthcare system is highly inequitable, with much state spending channelled to servicing urban elites. Access to and affordability of healthcare and education is a source of deep grievance for many citizens. Corruption in the health sector remains rife, as doctors and nurses remain severely underpaid despite recent policy

At a glance: China 2030

26% of global GDP[5]	Economic value at stake from engagement between China and the world
18%[6]	China's share of global middle class consumption (India's is projected to be 23%)
1,464 million[7]	Population (India's is projected to be 1,504 million)
4%[8]	Annual GDP growth (under scenarios with limited economic reform)
$114 billion (USD)[9]	Annual economic cost of dementia (a 66% increase on 2020 levels)
50 million[10]	Full time jobs replaced by artifical intelligence (including 1 in 15 manufacturing jobs)

initiatives. The COVID-19 crisis has brought the inadequacies of the Chinese healthcare system into sharp relief. Public anger flooded social media, in seeming disregard for the consequences of dissent. COVID-19 may heighten the policy urgency of healthcare reform. But real change will require the priorities of the healthcare budget to be flipped. Facing a decade of declining economic growth, will Xi spend what is required on public health? If the CCP cannot spend its way out of pressure to deliver public goods, will it fall back on repression? Repression may have diminishing political returns, especially during widespread crises like pandemics.

Environment and energy policy

China is the world's largest investor in renewable energy. It has targets to achieve 20% of total energy from renewables by 2030, and to reach peak emissions before 2030. The changing nature of China's economy from industrial manufacture to services could help.

Yes, but: Is China on track? Probably not fast enough to keep global temperature rise to two degrees. From 2017, its emissions started to rise again, despite policies including the introduction of a carbon market, coal use bans, and transition to gas. This is because an infrastructure stimulus package incentivised local governments to build 259 gigawatts worth of new coal plants – equivalent to all current US coal generation. China's ability to achieve major power sector reform at the expense of short-term economic growth will be key. Environmental issues are already a lightning rod for social discontent. As the effects of climate change worsen over the decade, domestic and global pressure may force the CCP to more urgent measures.

Environmental degradation

China's poor air, soil and water quality are likely to become worse in the next decade, with severe effects on public health, food production, public sentiment, and the economy. Climate change will exacerbate these trends. Despite many government initiatives to improve basic ecological health, conventional economic growth remains the top incentive in China's system of governance, and the environmental regulatory system is weak.

The implications of worsening environmental damage in China are likely to be global. For example, in 2011, drought caused China to buy up grain on the international market, driving up food prices – some analysts believe this was a trigger for the Arab Spring.[11] China's control of the Mekong system through upstream damming could decimate livelihoods in South East Asia if China hoards water to feed its own drought-stricken areas.

Wildcard: Infrastructure failure

There is public concern in China about sustainability of the Three Gorges Dam. Mao was originally persuaded not to build it due to concerns that a dam break could cause mass devastation – a potential weapon for foreign powers. Destruction of the dam due to an earthquake (it sits on two major fault lines), perhaps triggered by climate-change related flooding, could be economically and politically catastrophic, and seriously impact China's food production and public health.

Technology

Beijing aims to be the world's preeminent source of technology design and manufacture, which it hopes will deliver both economic and military gains. This is one of Xi's key national strategies, and China is poised to be a world-leader in telecommunications, quantum technologies, artificial intelligence applications, and technology standards.

Yes, but: There are several threats to China's technological ambition. One is rising nationalist pushback against China in its major markets: the EU and the United States. Given current US-China trade tensions, and concerns about a 'decoupling' of the US and Chinese economies, can China achieve technology leadership if global supply and R&D chains become more bifurcated? Reduced engagement with global markets also creates a security risk for China, as economic entanglement can be a moderator of conflict.

At the same time, not all dollars spent on technology innovation will result in good outcomes for the CCP. For example, widespread adoption of the internet of things could reduce regime control of the information space. Additionally, in the absence of strong market mechanisms, the CCP could make the wrong technological bets. The PRC will also need to find ways to experiment with applications of 'dual-use' technologies while managing escalation risks.

Automation and the economy

China is moving quickly towards full digitisation of its economy and is developing technologies to increase automation, including of governance. The Party argues that mass automation will help solve labour shortages as the population ages.

Yes, but: As in the United States, Europe and elsewhere, there is anxiety in China about the power of technology companies, and what increasing levels of automation might do to incomes and living standards, and therefore to internal consumer demand. Additionally, on current evidence, digital technologies may not be the best drivers of sustained, broad-based economic growth.[12] Since bots do not earn an income, pay taxes or save, automation could also hit China's revenue base. At least in the short term, China's labour force, including the middle classes, will be hit by automation at home and overseas. Chinese science fiction surfaces popular fears about what will happen to citizens who are surplus to requirements.

> **Wildcard: Tech company power**
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> Companies maintain China's governance, security and economic platforms – from social credit and surveillance, to payments. But global concern about the close relationship between the Party and Chinese big tech is shrinking foreign market access. Regulation is also increasing at home. Could China's tech sector perceive that the CCP hampers financial success and organise into an alternative political power base? How would this affect core state systems?

Security and foreign policy

In 2030, China will be a great power in a destabilised world. Countries will be struggling to address shared systemic challenges such as climate change, uneven innovation, and weakened systems for economic growth and governance. The decline of US leadership across multiple sectors – from currency and trade, to human security and conflict management – is likely to exacerbate these challenges.

As China's power and influence rises, many commentators see opportunities for China to expand its reach into global governance, especially in setting technology and trade standards.[13] But broader governance and norm-building efforts would require a China-led, inclusive vision for the world's nations at odds with Beijing's current turn to populist nationalism. Alternatively, gradual fragmentation of the global order to a managed multipolarity may create opportunities for China to reshape the world to be more accommodating to China's growing ambitions.

Yes, but: Accelerated fragmentation leading to a friction-filled or collapsed international system would not be in China's economic interests. It would also create higher risks of conflict.

Global leadership

China's increasing international profile will bring it into conflict with a number of actors – government and non-state. How it manages that pushback through a combination of coercive and diplomatic measures will be vital to understanding China in 2030. For example, how will China respond to balancing arrangements such as the quadrilateral alignment between Australia, India, Japan and the United States? How united will democracies be in pressuring China to moderate its behaviour and abide by international rules and norms? What new China-led norms might be emerging?

China is attempting to control international discourse about itself, from influencing global public imagination (for example, hosting the world's biggest science fiction conference) to trying to control narratives in Chinese diasporas through propaganda and intimidation. The CCP leverages its economic heft to incentivise or punish corporations and governments to fall into line with CCP positions on Tibet, Xinjiang, Hong Kong and Taiwan.

Yes, but: China is struggling to respond to lightning-fast, digitally-networked social responses to its repressive actions. Beijing's threats to the US National Basketball Association, and tech companies Blizzard and Apple over Hong Kong protest issues achieved the desired response. However, these measures arguably also prompted more international support for Hong Kong's pro-democracy movement.

China is also attempting to complete its rise at a time of remerging nationalism and populism. China's own brand of populist nationalism may damage its global appeal as well as limit its options in negotiating conflict. International pushback against various types of authoritarianism across the world is exacerbating mistrust of China's rising power. While China's economy may win many arguments, China's mastery of the kind of soft power that won it admirers in the past could be in terminal decline.

Discussion questions

- How will China's response to COVID-19, and responses by other governments and businesses, affect China's *relative* power?

- If the US moved to a 'full containment' China policy, how might this impact the Australia-United States Alliance? How might it affect Australia's economy, including exports, and access to supply chains and foundational technologies?

- How can Australia build a constructive working relationship with China on shared global challenges, such as climate change, natural disaster response, and pandemics?

- How can Australia contribute to a 'constraining' coalition to curb China's strategic ambitions and spread of its authoritarian model?

- How will China's success or failure in decreasing carbon emissions affect the future viability of Australian minerals and agricultural exports?

- Should Australia be concerned about the amount of data that China and Chinese companies hold about Australian citizens? If so, what can be done?

Notes

1   X. Zhangrun, *Viral alarm: When fury overcomes fear,* 10 February 2020, China File (trans. G.R. Barmé).
2   R. McGregor, *Xi Jinping: The backlash*, 2019.
3   Above, note 1.
4   D. Cyranoski, *The CRISPR-baby scandal: what's next for human gene editing*, February 2019, Nature.
5   McKinsey Global Institute, *China and the world: Inside the dynamics of the changing relationship*, July 2019, 20.
6   Brookings, *The emerging middle class in developing countries*, June 2011,12.
7   United Nations, *World population prospects*, 2019.
8   World Bank, *Innovative China: New drivers in growth*, 2019, 25.
9   Xu et al, *The economic burden of dementia in China 1990-2030*, Bulletin of the World Health Organisation, 2017.
10   *AI automation to shake up labor market by 2030*, China Daily, 2018.
11   I. Perez, *Climate change and rising food prices heightened Arab Spring*, March 2013, Scientific American.
12   Z. Qureshi, *Technology and the future of growth: Challenges of change*, February 2020, Brookings.
13   For example, A. Beattie, *Technology: How the US, EU and China compete to set industry standards*, July 2019, Financial Times.

About the editor

Ryan Young is the Director of the Futures Hub at the National Security College (NSC).

Acknowledgments

About the Futures Hub

The Futures Hub is an NSC initiative designed to help national security policymakers incorporate long-term trends and drivers into their analysis.

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The National Security College is a joint initiative of The Australian National University and Commonwealth Government. The NSC offers specialist graduate studies, professional and executive education, futures analysis, and a national platform for trusted and independent policy dialogue.

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