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Opinion – Why China’s Ambitious Agenda Could Fail in 2024

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ASHTON NG, MAR 11 2024

At the National People’s Congress on March 5, Premier Li Qiang presented China’s government work report, which trumpets the country’s achievements over the past year and sets an ambitious agenda for 2024. However, implementing this agenda may prove difficult, especially as China grapples with a range of economic, social, and geopolitical challenges.

On the economic front, the report celebrates China’s 5.2% GDP growth in 2023, but acknowledges that the “foundation for China’s sustained economic recovery and growth is not solid enough,” given weak demand and overcapacity. Although China avoided economic catastrophe in 2023 whilst exiting its strict “zero-COVID” policies, the report acknowledges that “Risks and potential dangers in real estate, local government debt, and small and medium financial institutions were acute in some areas.” For 2024, China targets GDP growth of around 5% and over 12 million new urban jobs. However, the only new measure announced was “ultra-long special treasury bonds” issued over several years, offering one trillion yuan in 2024 for national development. Amid a real estate downturn, sluggish consumer spending, and a slowing global economy, the government seems to have no new ideas to spur domestic demand without resorting to the debt-fueled building sprees of the past.

The report emphasizes scientific and technological innovation—from new energy vehicles to semiconductors and AI—but concedes that China’s capacity in these critical domains “needs to be further improved.” Previous state-led efforts to build up domestic tech champions have yielded mixed results, with tens of billions squandered on unproductive investments. Furthermore, the report’s rhetoric on technological self-reliance portends continued tensions with the West. As both sides pursue decoupling, there are risks of inefficient duplication, trade and investment restrictions, and technological fragmentation.

On “efforts to keep the skies blue, waters clear, and lands clean,” the report acknowledges that there is still “a long way to go in protecting and improving the environment.” Specific 2024 targets include reducing energy intensity by 2.5%, developing renewables, and expanding China’s carbon market to cover more industries. However, the report also stresses ensuring adequate coal and power supplies to meet economic goals—a reminder that China still faces wrenching trade-offs as it tries to balance development and sustainability.

Premier Li notes ongoing problems with corruption, pointless formalities, and bureaucratism within the government. Some officials are faulted for shirking responsibilities and doing “perfunctory” work. He vows the government will “face these problems and challenges head-on,” but such long-standing issues will require systemic efforts to resolve, not just admonishments from above.

The report’s political tone is concerning, repeatedly hailing Comrade Xi Jinping’s “core position” on the Party Central Committee and the paramount importance of “Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era.” The emphasis on President Xi’s inordinate power is unlikely to reassure foreign investors, who witnessed with alarm as President Xi previously shut down entire industries overnight and aborted what could have been the largest IPO in history. This impairs the Chinese government’s own stated goal of making China “a favored destination for foreign investment.”

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In the social realm, the report outlines measures aimed at raising living standards and strengthening China’s social safety net, from boosting pensions and unemployment benefits to increasing investment in healthcare, education, and elderly care. However, the fiscal math behind these pledges is hazy, and effectively funding pensions and healthcare for a graying society will be a monumental challenge. Regrettably, the report’s proposals to address China’s demographic crisis may be a case of too little, too late. Measures like extending maternity leave and providing tax incentives are unlikely to reverse the plunging fertility rate, which reflects deep-seated cultural shifts and the high costs of childrearing. China will need to brace itself for the economic and fiscal consequences of extreme population ageing.

To its credit, the report devotes substantial attention to addressing imbalances between cities and the countryside. However, initiatives such as modernizing agriculture, boosting rural incomes and public services, and improving urban infrastructure and governance will require massive fiscal outlays at a time of tightening budgets. Unless accompanied by deeper structural reforms to China’s land and residency systems, progress in narrowing the urban-rural divide is likely to be gradual at best.

The report’s language on Hong Kong, Taiwan, and “national security” reaffirms China’s increasingly assertive posture on these sensitive political issues. The stipulation that Hong Kong must be governed by “patriots” devoted to Beijing casts doubt on the city’s future autonomy. The report also drops the mention of “peaceful reunification” with Taiwan, instead pledging to “resolutely oppose” Taiwan independence. This raises the specter of military conflict. On foreign policy, Premier Li claims China “played an active and constructive role” on international issues and touts its advancement of “major-country diplomacy.” The reality is more complicated. With its partnership with Russia and ambiguous stance on Ukraine, China is often described as a passive power on the world stage.

2024 will test China’s leadership as they balance competing goals: growth versus financial stability, self-reliance versus global integration, and economic modernization versus social cohesion. As the United States braces for an acrimonious Presidential Election, China should expect to be relentlessly branded the common enemy by both sides of the House. From rebalancing the economy toward consumption to letting market forces play a more decisive role to reining in entrenched interest groups, China has often struggled to walk its reform talk. Still, it would be a mistake to dismiss China’s 2024 targets as empty promises. The country has consistently defied foreign naysayers in the past with its dynamism and determination.

Ultimately, the path China chooses has significant implications not only for its 1.4 billion people, but for the global economy and geopolitical order. The international community should actively seek opportunities to cooperate with China on shared priorities such as climate change and AI. Simplistic portrayals of China as an adversary are counterproductive. The world has a stake in China’s peaceful rise.

About the author:

Dr Ashton Ng obtained his PhD in Chinese History at the University of Cambridge, where he is the 2019 Kuok Family-Lee Kuan Yew Scholar and a Cambridge Trust Scholar. Ashton graduated with Distinction from the University of Oxford with an MSt in Traditional China. Prior to this, he majored in Classical Chinese at Peking University on a full Chinese Government Scholarship, winning the Outstanding Graduate Award and all top undergraduate prizes. Ashton is also a Young NUS Fellow at the National University of Singapore and a Tan Kah Kee Postgraduate Scholar.