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CHINA: AN ECONOMIC AND POLITICAL OUTLOOK FOR 2022

Domestic Political Reaction to China's Economic Slowdown

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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.

INTRODUCTION

The purpose of this paper is to continue my series of reflections on China's evolving political economy.

Xi Jinping has been moving China further "left" politically over the decade he has been in power since 2012, with greater centralization of power in the institution of the China Communist Party – as well as Xi's position within it.

A similar trend to the left has emerged in the economy since the 19th Party Congress of 2017, with a greater role for the Party in economic management, a resuscitation of the role for state owned enterprises, a renewed position for state industrial policy, and a series of crackdowns against the private sector.

At the same time, Xi has moved Chinese nationalism further to the "right" with more deeply nationalist narratives at home and a more assertive foreign and security policy abroad.

This paper argues that:

- one of the reasons for China's continued economic slowdown is the cumulative impact of Xi's increasing number of anti-market policy settings on private sector business confidence;
- as of December 2021, the Party began to acknowledge it may have gone too far with some of these measures as Xi seeks to maximize economic stability in 2022, when he is up for reappointment;
- the corrective measures being embraced to restore confidence may not be sufficient to restore growth because the private sector may be "once bitten, twice shy";
- the political and policy reaction against Xi's anti-market measures has grown, re-embracing nostalgia for "reform and opening" and the collective leadership principles in place under Deng, although this opposition is not sufficient at this stage to prevent Xi's reappointment;
- in the midst of these complex economic and political developments at home, Xi will want a relatively smooth year of "no surprises" abroad, including with the China-US relationship, in the lead-up to his reappointment in November 2022 – despite the fact that he may wish to be supportive of Putin's efforts to demonstrate American weakness over Ukraine, even though both Putin and Xi are likely to be deeply disturbed by the recent uprising against the authoritarian regime in neighboring Kazakhstan, given their common neuralgia over the threat of "color revolutions."

In aggregate, this turn toward a more populist form of Chinese socialism represented a dramatic reconsolidation of the power of the party-state over the market.

THE ECONOMIC STORY SO FAR

In a September 2021 speech on China's "pivot to the state," I described how Xi spent much of last year unleashing a rapid-fire series of economic policy decisions that, in sum, amounted to a simultaneous crackdown on China's private sector corporations. In aggregate, this turn toward a more populist form of Chinese socialism represented a dramatic reconsolidation of the power of the party-state over the market.

These decisions during the course of 2021 have been described as part of a new overarching economic policy framework – entitled the "New Development Concept." Central to this concept is Xi's "Dual Circulation" economic model. That is, one driven by increased domestic consumer demand, reducing the economic significance of net exports and fostering technological and supply-chain "self-reliance" in order to eliminate future external dependency.

A second core part of the New Development Concept is Xi's "Common Prosperity" campaign targeting rising inequality and the continued concentration of wealth. This has been accompanied by new anti-monopoly regulatory action designed to reduce the market power of China's tech giants. This is also designed to remind China's billionaire class that none of them are bigger than the party.

I wrote at the time that we were therefore witnessing "a profound change in China's overall economic policy settings," and that it was likely that "this new economic direction will remain with us at least until the 20th Party Congress due to be held in fall 2022."

In the midst of these significant policy shifts, the Chinese financial authorities also embarked on a significant de-leveraging campaign targeting the property sector. I sought to outline this in an address last October focused on the emerging Evergrande crisis.

I argued that Beijing's long-standing policy on defusing financial risks meant that the state would orchestrate a managed redistribution of the troubled real estate giant's assets.

I also argued that Evergrande was representative of a much broader problem across China's heavily indebted property sector but that any effective deleveraging effort was complicated by the fact that the sector still represented some 29 percent of total GDP.

And I noted that this presented a significant dilemma for Beijing given that both the shift to the left on general economic policy, and the deleveraging of the property sector, have created significant additional economic headwinds for overall growth numbers for 2022.

This brings us to the present and how Xi has used China's most important annual economic meeting – the Central Economic Work Conference (CEWC), held from 8-10 December, several weeks earlier than is normal – to readjust in part his economic policy framework as reality begins to bite in China's growth performance.

THE DECEMBER 2021 CENTRAL ECONOMIC WORK CONFERENCE: XI'S POLICY DILEMMA

The central theme of the CEWC was clear: that "economic work in 2022 shall highlight stability, making progress, while nonetheless ensuring stability." In total, the word "stability" was used 25 times in the official readout of the meeting. This is political code language for bringing in growth at around 6 percent for the year ahead. 2022 is therefore unlikely to see further exercises in economic

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policy experimentation. The domestic political stakes are too high for that. And China's external economic and geo-strategic circumstances remain, at best, uncertain.

In one of the CEWC official readout's most telling lines, the meeting explicitly stressed the connection between the country's economic agenda and Xi's top political priority: "In 2022 we will hold the 20th Party Congress, which is a major event in the political life of the Party and the country. We shall maintain a stable and healthy economic environment, a peaceful and secure social environment, and a clean and righteous political environment."

Xi Jinping has an overriding desire to keep any significant disruptions to China's economic growth performance, its financial stability, or social stability from occurring before he has a chance to secure a further political term at the Party Congress in November. While Xi's prospects for reappointment remain strong, there is still opposition to the idea of appointing someone who is then likely to become, like Mao, leader for life.

In the year ahead, Xi must therefore successfully navigate multiple political, economic and security challenges, including the critical task of balancing the response to three deeply interconnected problems: maintaining adequate economic growth to meet current employment needs, avoiding a financial crisis during the process of restoring financial institutions to more sustainable debt levels; while also transitioning from an investment-led growth model (that has produced total debt levels of nearly 300 percent of GDP) to one driven primarily by domestic consumption.

This challenge is most visible in the property sector, where international ratings agencies have declared Evergrande, with its $300 billion in liabilities, officially in default for the first time, after the company missed a December 6 bond payment. In January the company revealed that its sales had dropped nearly 40 percent, while Evergrande chairman Xu Jiayin admitted that the company faced "extremely difficult circumstances."

Despite this, the state is now attempting to carefully manage Evergrande's slow-motion collapse. China's Ministry of Housing and Urban-Rural Development has said it will act to guarantee "the delivery of homes, protecting people's livelihoods and maintaining social stability." A Guangdong government working group and a risk-management committee comprised of large state-owned enterprises has also begun conversations with offshore creditors about a restructuring of Evergrande's assets, while similar meetings with onshore bond-holders are planned for January. For its part, the company itself now says it has resumed work on more than 90 percent of its stalled projects and will complete them and pay off debts "under the care and guidance of governments at all levels."

The challenge for Beijing, however, is that Evergrande could mark only the start of a much wider reckoning in the property sector. Kaisa Group, the sector's second-biggest offshore bond issuer behind Evergrande, also entered restricted default on December 9 after missing a payment on its $12 billion in offshore debt. It has $287 billion in total liabilities.

Also defaulting in December alone were Sunshine 100 China Holdings, and China Aoyuan Group, two other property firms. And while the People's Bank of China (PBOC) has reportedly held meetings with all the largest real estate firms to try to encourage healthy companies to acquire distressed assets of the failing ones, this approach doesn't yet seem to be working.

So far investors appear uncertain whether Beijing will be able to pull off a difficult rescue operation for the property sector as a whole.

On December 20, the sector suffered a significant further shock when a potential deal to reduce the exposure of another troubled firm, Chinese Estates Holdings, collapsed. That sent its shares plunging 35 percent. Kaisa and Evergrande also fell 15 percent and 10 percent respectively on the same day. Later, on January 3, trading of Evergrande's shares in Hong Kong had to be suspended by the authorities after information became public that some of its illegally permitted projects were to be demolished. And, on January 7, the Shanghai Stock Exchange suspended trading of the bonds of another developer, Shimao Group, after it too missed a payment.

At the same time, local governments that have relied heavily on land sales for revenue are beginning to suffer. In early January it was revealed that Hegang, a city in Heilongjiang province, has now become the first prefecture-level city in China to be forced into a fiscal reorganization, after being effectively bankrupted by a downturn in property sales.

So far investors appear uncertain whether Beijing will be able to pull off a difficult rescue operation for the property sector as a whole. The fact that new defaults could spread beyond Evergrande, in a real estate sector with a combined debt load of an estimated $5 trillion, is of serious concern. Furthermore, deleveraging the property sector also comes with its own cost to overall economic growth.

Meanwhile China's overall economic performance has begun to slow. GDP growth fell to 4.9 percent in the third quarter of 2021, down sharply from 7.9 percent in the second quarter. Economists' consensus forecast for the fourth quarter of 2021 is, at time of writing, is only 3.5 percent.

Meanwhile, according to the most recently released data at the time of writing, registered retail sales growth slowed to 3.9 percent in November 2021 from 4.9 percent a month earlier. At the same time, the official unemployment rate trended upward to 5 percent from 4.9 percent. Worse, independent assessments estimate that some 4.37 million Chinese small businesses shut down in the first three quarters of 2021, surpassing the number of new business registrations in China for the first time in more than two decades.

Tellingly, even the Chinese Academy of Social Sciences now expects annual economic growth to slow to 5.3 percent in 2022, down from 8 percent in 2021.

There are many causes of this economic slowdown. These include the continuing global economic impact of the pandemic. China's strict "zero-COVID" strategy to contain successive waves of the virus at home has also impacted growth. So too has what the CEWC has described as the "triple pressures of demand contraction, supply turbulence, and weakening (business) expectations."

However China's leadership cannot ignore the impact on growth of its own policy settings. This includes the general crackdown on the Chinese private sector and what the Party has described as the "reckless expansion of capital," both in the property sector as well as in the big technology companies. This in turn has badly impacted business and investor confidence.

POLICY RESPONSE 1:
The Allocation of Capital

There is some recognition both in the language and in the outcomes of the December CEWC that some of the policy changes we've seen over the last year may have gone too far – and that a new policy equilibrium may now need to be found to maintain Xi's much

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sought after economic stability – although at this stage it is far from clear that the either the diagnosis or the solutions offered will prove to be effective in restoring growth.

First, the meeting noted that "regulation of capital" was among the "new major theoretical and practical issues" that needed "to be correctly understood and grasped." In the language of the Party, this is an acknowledgement that the Chinese state-capitalist system faces a contradiction between the need for capital to generate growth, and the tendency for that capital to produce results undesired by socialist central planners, including the growth of monopolies and the development of what Xi has derided as the "fictitious economy" (e.g. property speculation) at the expense of the "real economy" (e.g. manufacturing).

As Han Wenxiu, Executive Deputy Director of the General Office of the Central Financial and Economic Affairs Commission, explained: "How to play up the positive role of capital and restrain its negative role under the condition of a socialist market economy is a brand new topic facing our party, one which is not found in the classic works of Marxism-Leninism, nor in the planned economy of the Soviet Union. Capital is profit-seeking. It is necessary to strengthen the effective supervision of capital according to law to prevent the barbaric growth of capital, and also to support and guide the standardized and healthy development of capital."

Or as one prominent state commentator on the CEWC outcome put it: "When we see the positive side of capital promoting economic growth, we can't ignore the other side. If we don't impose effective constraints and let the capital's bottomless profit-seeking impulse be infinitely magnified, it will bring a series of harms to the whole economic and social development... Without effective supervision and governance, 'disorderly,' 'barbaric' and 'willful' capital will affect the development foundation of socialist market economy."

The CEWC pledged to establish a so-called "traffic light" system (of preferred, acceptable, and unacceptable destinations for investment) in order to prevent the "barbaric expansion of capital" and "incentivize capital's role as an active part of the production factors [but] control its negative effects."

The use of the term "barbaric expansion of capital" is new to the Chinese political vocabulary but it continues to point towards the left in economic policy settings. Furthermore the use of a traffic light system smacks of the administrative direction of capital which has long been the key problem for China's poor capital efficiency ratio relative to other competitor economies. Moreover the suggestion that the allocation of capital is somehow a "brand new problem" for Chinese economic theorists to contend with is nonsense. This question has been central to the Chinese economic debate since Deng Xiaoping and Jiang Zemin first framed the concept of a "socialist market economy" a quarter of a century ago.

Indeed the fact that the Party now senses the need to "re-theorize" the problem in order to find the elusive Holy Grail of an economic model that optimizes so-called "productive investment" in the so-called "real economy," by diverting it from the so-called "fictitious economy," indicates that under Xi Jinping there is still a basic conclusion that the market has gone too far.

Investors may have got a taste of what all this means in practice in December, when Chinese regulators instituted requirements that companies in strategically sensitive sectors receive state approval before listing for initial

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public offerings overseas, as well as banning any single foreign investor from owning more than 10 percent of such companies.

While the CEWC outcome does warn of "bureaucratic overreach" in the implementation of new guidance for the private sector, and exhibits concern over the impact of overall policy settings on growth in the "year of stability," the policy conclusions drawn on the question of capital allocation remain deeply statist.

Nonetheless, the language of the CEWC outcome documents reflect the fact that there is a real internal economic debate currently raging between reformists and conservatives. The core question in this debate remains, as it has been for decades, the final status of the market or the state as the most efficient allocation mechanism of capital and other economic resources. The outcome of this debate remains unclear. But at this stage we cannot simply read it as some recognition of the need for a return to the status quo ante. Indeed, on the core question of capital location, the conservatives still appear to be on the ascendant.

POLICY RESPONSE 2: Some Loosening in the Common Prosperity Agenda

There has, however, been some adjustment in the interpretation of Xi's "Common Prosperity" campaign. The CEWC concluded that, "To achieve the goal of common prosperity, we must first make the 'cake' bigger and better through the common endeavor of the whole nation, and then cut and divide the 'cake' well through reasonable institutional arrangements. This is a long-term historical process, and we should steadily move toward this goal."

This is important new language given the ideologically shrill approach that emerged in the second half of 2021 on the question of "common prosperity" and the fears of some that a general witch hunt had begun against the wealthy. This is now seen as overreach. In other words: now may not the time to kill the goose that laid the golden egg. Common prosperity may be better accommodated later in the development process once the overall national economic cake is much larger.

In this respect, it is significant that the directive to "strengthen anti-monopoly and prevent disorderly expansion of capital" – which appeared among the "Eight Major Tasks" of the 2020 CEWC – is no longer listed among the "Seven Major Policies" of the 2021 CEWC meeting.

Instead, economic stability is prominent in the 2021 list of tasks, including instructions that, "Macroeconomic policies must be stable and effective"; "Microeconomic policies must continue to stimulate the vitality of market entities"; "Structural policies should focus on smoothing the national economic cycle"; while "Social policy must secure the bottom line of people's livelihoods."

The latter in particular is significant. It does not say that wealth redistribution through the income and company tax system is the way to deal with inequality, which is where the debate had begun to head by late 2021.

Nonetheless, despite some softening of the Party's language on Xi's common prosperity agenda, it is still likely to have an enduring impact on long term private sector confidence. In the last few years, the private sector got to see what Xi really thinks about them. And they did not particularly like what they saw. Whatever tactical adjustments to the common prosperity agenda may now be underway for the year ahead, I believe this is now a long term problem for China's economic growth performance because of its long term impact on private sector confidence.

> **Disturbingly, the CEWC also signaled that, at least in the short term, ensuring secure energy supplies for the economy will now take priority over the transition to carbon-free energy sources.**

POLICY RESPONSE 3:
CEWC Macroeconomic, Energy, and Climate Outcomes

These policies on capital allocation and common prosperity, along with a pledge to "carry out infrastructure investment moderately ahead of schedule," have led many analysts to conclude that Beijing will moderately expand fiscal and monetary stimulus to counter slowing growth in the year ahead.

Indeed Beijing has already instructed local governments that they can begin selling "special" 2022 bonds early, from January 1, while on December 6 the PBOC cut required reserve ratios to free up some $188 billion in new liquidity.

It then followed up by cutting the one-year loan prime rate by 5 basis points, in the first such action since April 2020. All this has signaled that the central bank is indeed moving forward with a general easing as foreshadowed by CEWC.

Finally, and disturbingly, the CEWC also signaled that, at least in the short term, ensuring secure energy supplies for the economy will now take priority over the transition to carbon-free energy sources.

The meeting was explicit in stating that China "must ensure the supply of energy," and because in China "coal is the main energy supply, we must promote the clean and effective use of coal."

State industries have been directed to "take the initiative to guarantee supply and price stability," while instructions have been issued to clarify that the "phase-out of traditional energies should be based on the replaceability of secure and reliable new energies."

In general, the CEWC concluded that, "We must have a correct understanding of reaching carbon peak and carbon neutrality. [These] are internal requirements for promoting high-quality development, which we should implement steadfastly but cannot hope to realize all of a sudden."

These directives come in response to rolling energy shortages in China, which have also been exacerbated by reduced coal imports from Australia. These measures are likely to have a noticeable impact on China's progress towards reducing carbon emissions, although there is no indication that Beijing has changed its fundamental view on the importance of meeting its long-term commitments on carbon neutrality.

Overall, the tenor of the CEWC was summed up vividly by Han Wenxiu, who explained that, despite China's achievements in recovering from COVID:

"We must also see that the country's economic development is facing increased difficulties and growing challenges. Domestically, economic development faces the triple pressure of demand contraction, supply shock, and weakening expectations. There is a lack of coal, lack of electricity, lack of microchips, lack of [shipping] containers, and lack of labor, among other issues. Internationally, the impact of the epidemic of the century has accelerated changes unseen in a century and created a more complex and uncertain external environment… It is vital to both be clear-eyed in seeing the difficulties and to boost confidence."

POLICY AS A POLITICAL BATTLEGROUND IN 2022

Given this relatively pessimistic assessment of the economy for 2022, it is unsurprising that this has also spilled into China's political and policy debate.

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That includes a remarkable recent article on "the spirit of the Sixth Plenum" of the 19th Central Committee published in *Qiushi*, the Party's flagship ideological journal, by Central Committee member Qu Qingshan. This plenum was held at the end of 2021.

In the article, Qu repeatedly praises Deng's reform and opening as the "great awakening" of the CCP, the moment which led to China's successful growth into a country of prosperity and power. Moreover, in an implicit criticism of Xi – who is tellingly not mentioned even once – the article cites Deng's criticism of Mao's period of Cultural Revolution and then quotes a biting line by the former leader: "If we do not implement reforms now, our modernization and socialism will be ruined." But, stressing Deng's famous line that "actual practice is the sole criterion for judging truth," he concludes that, fortunately for the Party, its strength has always been to be "able to quickly correct mistakes."

Qu's article, which was also published in the *People's Daily*, was then followed by possibly an even more remarkable piece in *Liberation Daily*, this time by Hu Wei, a leading member of the Party School in Shanghai. In it, Hu is even more implicitly critical of the path Xi has taken. He first celebrates Deng's 1978 decision to speed reform and opening as the "great historical turning point" for China, the core of which was "systematically correcting Comrade Mao Zedong's mistakes" and putting to rest "'Left' Socialism" and the "planned economic system, which completely suffocates the economic vitality of the market and society."

But he then goes much further, also praising as vital Deng's reforms of the "Party leadership system," and their ending of a period in which decision-making was "over-centralized" and "concentrated in the top leaders of the Party," leading to "one-voice rule," "arbitrary" individual decisions, and the phenomenon of some cadres "leading for life." Fulfilling China's "economic miracle" will require more than continuing to throw off "the shackles of the planned economy," he says: "We must not only break through the imprisonment of ideology, but also reform the leadership system of the Party and the country."

Needless to say, this is a daring position to take in the Xi Jinping era.

But these articles' rapid-fire publication in the Party's three most historically important publications (collectively known as the "Two Papers and One Journal," or *liangbao yikan*), may be a sign that internal pressures within the Party from those frustrated with Xi's ideological move to the left, and the consequent direction of the economy, has now reached a boiling point – or at least in some quarters. However there is no way to know for sure how widespread any dissent or resistance to Xi may actually be at this time.

Meanwhile, Xi does not seem to be taking any challenge lying down. State media has recently launched a messaging blitz repeatedly stressing the importance of the "Two Establishes" – language introduced at the Sixth Plenum in November 2021 "establishing" the "core position" of Xi Jinping, and "establishing" the supremacy of the "guiding position" of Xi Jinping Thought. Then at a key Politburo meeting on December 29, Xi thundered that "unity is the lifeblood of the Party"

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and the "lifeline" of the Party. This apparently was designed to quell policy dissent, but, more broadly, Xi is seeking to reinforce an aura of absolute loyalty and unity surrounding himself, presumably to project an image of unassailable strength heading into the Party Congress.

It is true that the CEWC is hardly a complete setback for Xi's plans overall. Pledges to "consolidate and develop the public sector of the economy," strengthen state-owned enterprises, increase government infrastructure spending, and do even more to support strategic science and technology industries – in addition to continuing to "manage" the flow of capital to prevent it from being used for "barbaric" purposes – all point to Xi's "pivot to the state" continuing as the dominant trend.

How much private sector confidence can at this point be easily restored thus remains an open question. Tougher times may therefore be ahead for the Chinese economy in 2022. If that's the case, we should expect the rumblings of political discontent to continue to grow louder as well as we move closer to the 20th Party Congress.

At this stage, however, they are unlikely to gather sufficient momentum to prevent Xi's reappointment.

WITH WEAKENING ECONOMIC GROWTH AND A GROWING DOMESTIC POLITICAL REACTION TO THE SLOWDOWN, WHAT ABOUT CHINESE FOREIGN POLICY IN 2022?

Difficult economic and political decisions therefore lie ahead for Xi Jinping in what already looms as a decisive year with the 20th Party Congress – the supreme decision-making event of the CCP, held every five years.

Xi also faces the impossible question of when and how to re-open China to the outside world given its unique policy of COVID elimination. This cutting off of China from the world is having profound effects across the board.

Because Xi has staked his leadership on continued zero-tolerance of the virus, it is highly unlikely that he will reopen China's borders in any substantive way until the end of the Party Congress at year's end. That's because a big breakout this year would be dangerous for Xi's re-election prospects.

Even next year, it will be a question of how any opening to the world could then be done, although this task could be made easier if by that point the overall global contagion had subsided into a post-Omicron period.

A critical unknown variable for 2023 will therefore be the terms on which China chooses to rejoin a post-COVID or even pan-COVID world. China is currently working on these options internally. And at this stage it is impossible to predict what shape a Chinese reopening may take.

In the meantime, with political control remaining tight, the economy slowing, and with regular, high-level foreign political contact suspended because of COVID, there is a danger that, by year's end, China may become even more insular and more nationalist than we have seen so far.

Given all these pressures, Xi nonetheless has no interest, let alone intention, of engineering a crisis, conflict, or even less a war with the United States in the difficult year that it's ahead. Despite some of the more fevered recent commentary, this includes Taiwan as well. Xi will not be militarily ready for an assault on the island until decade's end. He is

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therefore highly unlikely to move unilaterally in the meantime, unless dramatic unilateral action by Taiwan itself triggers an automatic Chinese response.

However, rising Chinese nationalism on the home-front could prove to be a volatile factor, should there be an accidental collision between Chinese and U.S. military assets, or any unanticipated diplomatic crisis between Beijing and Washington, or if Xi were suddenly to become radically weakened on the domestic political or economic front.

In this context, the nature of China's response to any Russian military action against Ukraine in the next several months will be important. Normally China would be deeply cautious about weighing into Russian behaviors in Europe, particularly those impacting the sovereign borders of another state. It is not beyond the realm of possibility, however, that China could be more supportive of Russia than it was at the time of the original invasion of the Crimea in March 2014. Beijing at that time abstained in the vote on the UN Security Council resolution condemning Moscow.

Xi and Putin have become much closer since then. They have also met again most recently as the Ukraine crisis moves steadily closer to the boil. Would Xi, for example, consider declaring a Chinese Air Defense Identification Zone (ADIZ) over the South China Sea in order to distract the U.S. diplomatically and to demonstrate American weakness in Asia, at the same time that Putin took direct military action in Ukraine, confident that America would simply sit on its hands militarily despite the punitive economic sanctions that the U.S. would then take? Or would Xi contemplate other similar measure to put political (but not direct military) pressure on Washington? Such actions may not be probable, but in the current climate they are possible.

Events in Kazakhstan, however, may complicate both Chinese and Russian political self-confidence about the immediate future. The scale of the uprisings in Almaty, Astana, and elsewhere in the country will be viewed with genuine alarm in both Moscow and Beijing. Similarly the intensity, duration, and local reaction to the Russian troop presence in Kazakhstan will be closely monitored, given China and Russia's collective neuralgia for anything smacking of color revolutions on their immediate perimeter.

For these reasons, global geopolitical, and geoeconomic risk – arising from Chinese politics and economics domestically, as well as from China's complex three-way relationship with the U.S. and Russia – is therefore likely to remain elevated over the course of the year.

CONCLUSION

Ultimately, China is headed into 2022 under greater uncertainty – economic, political, and geopolitical – than Xi Jinping could have predicted even a year ago.

That uncertainty comes at an crucial time, for Xi, for China, and for the world. Whether Xi's policy decisions can successfully navigate the growing pressures on the Chinese economy will have major implications for the prospects of a sustainable global economic recovery, for China's own political and economic future, and therefore for its strategic race against the United States for regional and global leadership.

2022 therefore looks to be a decisive year in a decisive decade for us all.