

EXTERNAL SECURITY RISKS FOR CHINA IN 2024



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In 2023, the Center for International Security and Strategy (CISS) of Tsinghua University employed a detailed approach, combining the Delphi method and statistical analysis, to systematically assess the external security risks that could significantly impact China in the following year. This comprehensive study brought together 40 Chinese experts from diverse fields, including international relations, government, business, and media, to collaboratively identify and evaluate these risks.

The study pinpointed eight principal risks, each with profound implications for China's international standing and security posture:

- 1 *U.S. Presidential Election Dynamics*
- 2 *Global Economic Slowdown and Its Impacts*
- 3 *Alignment Between Taiwan Independence Advocates and Pro-Taiwan Factions in the US*
- 4 *Philippines' Reliance on US Support to Stir Tensions in the South China Sea*
- 5 *Risks Associated with AI Technology*
- 6 *Entrenchment of Cold War Dynamics on the Korean Peninsula*
- 7 *EU Implements Discriminatory Trade Policies Against China*
- 8 *Russian Elections Prompt Shifts in the Ukraine Crisis*

1. U.S. Presidential Election Dynamics

The 2024 U.S. Presidential election has entered the primary stage. While the election is a matter of U.S. domestic politics, both the process and the outcome could pose significant risks to China and the global community. Historically, U.S. presidential elections often prompt candidates from both parties to adopt a tough stance on China. Given the prevailing negative sentiment towards China in the U.S., candidates are likely to criticize and attack China extensively during their campaigns, while avoiding being labeled as ‘soft’ on China by their opponents. In this context, both the Biden administration and Congress may implement more measures aimed at China to win the election, escalating anti-China rhetoric. According to a recent Associated Press poll, nearly 60% of Americans express concerns over Chinese influence. Gallup data indicates that American public perception of China is at its lowest since the establishment of diplomatic relations between the two countries. Recent elections have seen significant emphasis on Russian interference, but in the past few years, the narrative of ‘Chinese interference’ in the U.S. elections has gained rapid traction. Despite the lack of solid evidence, both hawkish and rational factions in the U.S. believe China will meddle in the U.S. elections, treating such presuppositions as fact without the need for verification. Negative rhetoric and actions against China during the campaign could undermine the stability of U.S.-China relations established after the summit meeting between Chinese and U.S. Presidents in San Francisco, and potentially severely impact bilateral engagement.

Furthermore, the likelihood of Donald Trump becoming the 2024 Republican presidential candidate could have complex implications for U.S.-China relations and China's external environment. Regardless of the election outcome, the inauguration will take place in 2025. However, there is a widespread belief both domestically and internationally in the U.S. that a second Trump presidency would lead to significant shifts in U.S. domestic and foreign policy. As the U.S. moves into the election season this fall, with results due in November, the prospect and reality of Trump's second term could profoundly impact U.S. domestic politics, its relationships with allies, and U.S.-China relations. The effects of this prospect are highly complex, but it is foreseeable that it would bring significant changes and challenges to China's external environment.

2. Global Economic Slowdown and Its Impacts

The latest World Economic Outlook released by the International Monetary Fund (IMF) indicates a slowdown in global economic growth to 2.6% in 2023. Developed economies are experiencing a meager growth rate of just 1.5%, while developing economies are projected to grow by only 3.9%, which is over one percentage point lower than the average of the past

decade. This deceleration across major economies is increasing the pressure on China to maintain its growth momentum. Persistent economic sluggishness in the US and Europe, combined with inflation rates falling short of policy expectations, might lead the central banks in these regions to maintain high interest rates, further straining the global macroeconomic environment. This scenario is likely to constrain China's foreign trade and investment activities. A decline in global demand, shrinking profit margins for Chinese companies, and challenges in market expansion will add obstacles to China's economic recovery efforts. The uncertainties surrounding China's economic prospects are expected to continue to be exaggerated, leading to misjudgments by foreign investors and a continued capital flight, possibly spreading to Hong Kong and Macau, triggering market instability in these regions. Additionally, many developing countries are facing exacerbated imported inflation, significant fluctuations in local currency values, and increased capital outflow pressures, which could lead to economic and financial crises in countries with prominent foreign debt issues. Moody's, an international credit rating agency, has already downgraded China's sovereign debt rating. If other major international institutions follow suit, the international environment for China's sovereign debt could deteriorate further, potentially harming China's investments and lending in the affected countries.

3. Alignment Between Taiwan Independence Advocates and Pro-Taiwan Factions in the US

In the leadership election of Taiwan region, the Democratic Progressive Party's Lai-Ching Te and Hsiao Bi-khim have been elected. Lai Ching-te has long identified himself as a 'pragmatic worker for Taiwan independence,' demonstrating a clear and consistent pro-Taiwan independence stance. We anticipate that over the next year, the likelihood of Taiwan region's authorities taking drastic measures is low. However, the authorities' inclination towards Taiwan independence, coupled with the support from pro-Taiwan forces in the United States, is expected to maintain a state of heightened tension regarding the Taiwan issue. Events such as visits by US congressional leaders to Taiwan or an elevation in the level of interactions between the US and authorities in the Taiwan region could trigger new tensions in US-China relations. Moreover, in 2023, cross-strait import and export trade volume decreased by 15.4%. Should Lai Ching-te continue to advocate positions akin to a 'Tsai Ing-wen 2.0' stance, trade and investment exchanges across the strait are likely to diminish further. Additionally, the ongoing tension in Taiwan issues, in conjunction with the US presidential election, may lead to new developments. Interactions between US presidential candidates from both parties and political figures in Taiwan, or engagements between the elected US president and authorities in Taiwan after November, could pose significant risks. Particularly, the

interactions between a potentially victorious Republican Party, characterized by its highly unpredictable policy directions, and the Democratic Progressive Party, known for its clear pro-independence leanings, warrant close monitoring for emerging risks.

4. Philippines' Reliance on US Support to Stir Tensions in the South China Sea

Since President Ferdinand ‘Bongbong’ Marcos Jr. took office in the Philippines in June 2023, there have been notable shifts in the country's foreign policy, especially regarding the South China Sea. The Philippines has repeatedly provoked incidents in the region, with the United States frequently stepping into the forefront on issues like those at the Second Thomas Shoal, explicitly threatening to invoke the 1951 Mutual Defense Treaty with the Philippines should any Philippine vessels come under attack or personnel be harmed by China in the South China Sea.

The U.S. has been gradually increasing its military presence and conducting more frequent naval reconnaissance and military exercises throughout the Asia-Pacific region. Currently, the Philippines is eager to reinforce its ships stationed at the Second Thomas Shoal, attempting to transport construction materials disguised as humanitarian aid, which has led to friction with China.

Looking ahead, the Philippines may undertake new unilateral actions, or potentially in coordination with the U.S., engage in more frequent provocations. Should a serious conflict erupt between China and the Philippines, nearby U.S. warships might intervene, leading to an escalation of the conflict. The Philippines could also collaborate with other nations to conduct large-scale military exercises or regular joint patrols in the South China Sea. Furthermore, the Philippines might announce the outcomes of bilateral negotiations with Vietnam on the delimitation of their exclusive economic zones or begin oil and gas exploration in the Reed Bank with the support of Western countries, or even initiate new arbitration or litigation on maritime delimitation through a third-party mechanism.

5. Risks Associated with AI Technology

In 2023, large language models like ChatGPT significantly heightened global academic and policy concerns over artificial intelligence (AI) security. AI encompasses a broad range of overarching technological concepts, and findings indicate that experts are particularly worried about the risks associated with military applications of AI. While AI can offer strategic advantages, technical malfunctions or misinterpretations in early warning and decision-mak-

ing systems could inadvertently escalate conflicts. Furthermore, the high unpredictability of technologies such as autonomous learning means that operators might not even know who or what could trigger an attack.

There are also various risks in the civilian use of AI. On one hand, the development of technology itself could pose greater challenges to cybersecurity. For instance, the emergence of network viruses with strong self-evolution capabilities, toolkits that can automatically generate cyberattacks, or the widespread dissemination of highly deceptive misinformation could have significant security implications. On the other hand, despite a basic international consensus on the risks of AI and the common belief in ensuring responsible and ethical use, when it comes to specific areas, some countries might be reluctant to impose too many legal restrictions for fear of losing their competitive edge in business. Alternatively, they might engage in technology factionalism driven by competitive interests.

6. Consolidation of Cold War Dynamics on the Korean Peninsula

In 2023, following the Camp David Summit, a quasi-military alliance formed between the U.S., Japan, and South Korea. The U.S. fully resumed joint military exercises with South Korea and deployed strategic weapons to the region during non-exercise periods. North Korea significantly increased its missile launches, repeatedly testing solid-fuel intercontinental ballistic missiles (ICBMs) and launching military reconnaissance satellites, thereby nullifying the 9.19 Inter-Korean Military Agreement, which included measures to prevent military miscalculations. A breakthrough in North Korea's relations with Russia, particularly in military cooperation, drew global attention.

For 2024, the primary risks on the Korean Peninsula include: first, at the structural level, the development of the U.S.-Japan-South Korea relationship echoes the Cold War-era 'Southern Triangle' alliance, leading to speculation about a potential 'Northern Triangle' comprising China, North Korea, and Russia as a counterbalance. The solidification of such a new Cold War dynamic on the peninsula, resulting in group confrontations, would be contrary to China's strategic interests and demands. Second, the ongoing frostiness in U.S.-North Korea relations and further deterioration of North-South Korea relations could precipitate a new crisis akin to the '2010 Yeonpyeong Bombardment,' leading to heightened tensions on the peninsula.

7. EU Implements Discriminatory Trade Policies Against China

In October 2023, the European Commission initiated an anti-subsidy investigation into Chinese electric vehicles, marking the most significant probe of its kind since the EU's

anti-subsidy and anti-dumping investigations into China's photovoltaic industry in 2012. Uniquely, this investigation was launched by the Commission without any formal complaint from EU companies, a rarity in such cases, clearly highlighting the EU's intention to politicize trade issues within its 'de-risking' strategic framework.

In the coming year, the EU may implement a series of 'de-risking' policies towards China, such as imposing additional anti-dumping duties; forcing companies to divest from China through investment reviews; launching investigations into China under public procurement regulations; forming alliances with the US, Japan, Australia, Canada, and other nations to compete for critical mineral resources in Asia, Africa, and Latin America; and incorporating unfavorable provisions into the Carbon Border Adjustment Mechanism. Governments may also levy substantial fines against Chinese-funded enterprises.

Despite the upcoming 2024 European Parliament elections, which could bring in new members and leaders with potentially different stances towards China, economic and trade issues remain a structural conflict between the EU and China, unlikely to see major shifts in the short term. "De-risking" policies in the economic and trade sectors could even become bargaining chips in future EU-China negotiations.

8. Russian Elections Prompt Shifts in the Ukraine Crisis

The Russian presidential election scheduled for March 2024, while expected to be predictable, could act as a catalyst for geopolitical shifts. The U.S., Ukraine, and Russia are all motivated to influence the situation on the battlefield and use it as leverage against each other. With increasing 'fatigue' in the West regarding support for Ukraine, Ukraine might seek to solidify Western backing and shape Russian options through changes on the battlefield. Russia, likewise, is driven to seek favorable changes for itself.

An escalation of the crisis could lead to economic instability across Eurasia, heightening market uncertainty in Eastern Europe and hindering China's Belt and Road Initiative. Conversely, a de-escalation in the Ukraine crisis, or a Republican victory in the 2024 Presidential election, could lead the U.S. to negotiate a deal with Russia on Ukraine, altering US-Russia relations and potentially increasing strategic pressure on China.



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