

## IN BRIEF: CHINA'S STRUGGLING ECONOMY

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DECEMBER 6, 2023



**A lot happens every day.** Alliances shift, leaders change, and conflicts erupt. With In Brief, we'll help you make sense of it all. Each week, experts will dig deep into a single issue happening in the world to help you better understand it.

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In the past few years, China's economy has been struggling. Even since the Chinese Communist Party rolled back pandemic-era restrictions last year,

consumer spending has stalled and economic growth slowed — the International Monetary Fund is predicting 4.6 percent growth in China next year, down from 5.4 this year. We asked four experts to tell us about China's economic troubles, how they could affect the country's global standing, and what this all could mean for U.S.-Chinese competition.



**Yun Sun**

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China's economic downturn has been long coming. Most attribute it to structural problems, which do not offer any quick fixes. It does not appear that the economic downturn has affected General Secretary Xi Jinping's uncontested authority within the party. But the social discontent and people's lack of confidence in their long-term future do suggest that Beijing will have to turn inward and focus on domestic challenges for the time being.

Xi's prioritization of national security has come to undermine the confidence of foreign investors, which is a key challenge as China tries to retain an affinity with and the engagement of foreign companies. China has taken some measures to reassure foreign investors, including commitment from the top leadership. However, their effectiveness remains to be seen.

Beijing's prioritization of domestic issues has a significant impact on its foreign policy. Most importantly, Beijing has to seek a relatively stable relationship with the United States so it can focus its attention at home. The recent summit between Xi and President Joseph Biden in San Francisco is a key step in this regard.



**Jude Blanchette**

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How will China's slowing economy impact its relationship with the United States and with the world more broadly? The honest answer is: We don't know. Some argue that General Secretary Xi Jinping is feeling pronounced anxiety as he deals with growing economic and demographic headwinds, and from this, he might

seek a pressure release valve in growing frictions with the United States or his neighbors. Yet while it's true that Chinese officials no longer declare, "The east is rising, the west is declining," with the same frequency they did just two years ago, the Xi administration remains relatively confident in the toolkit available to the party-state to manage these challenges. What's more, they point to a chief rival in the United States that looks to them like it is the one facing mounting geopolitical and domestic political risks. But at the same time, external analysts can only surmise how Xi is processing current events and what types of political pressures he faces from elites in the political-security system. Just as claims that Xi will attack Taiwan to distract from internal challenges demand compelling evidence, so too do conclusions going in the other direction. Autocrats, unfortunately, confound or defy even the most careful analytic judgments.



**Collin Meisel**

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Despite facing significant economic challenges recently, it is by no means guaranteed that China's present downturn will continue. For example, China's economy enjoys a high degree of economic complexity relative to its income level — a strong predictor of positive 10-year average economic growth prospects.

Assuming, however, that China's present economic challenges persist or even worsen, U.S. policymakers will be afforded a window of opportunity to further consolidate American influence in increasingly contested regions, including Southeast Asia and Oceania. That said, my and my University of Denver and Stimson Center colleagues' long-term forecasts indicate that even with substantially slower economic growth, China's geopolitical influence is expected to continue to increase for the next few decades.



**Derek Scissors**  
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Recently discovered by many, Chinese economic weakness was visible in 2011. The massive lending spree uncorked in 2009 petered out and a slowdown began that will most likely culminate in stagnation. This has already affected the U.S.-China relationship for years.

General Secretary Xi Jinping recognized the weakness by 2016 and shifted his objectives away from wealth and size. The good news: China isn't trying to replace the United States as a global economic leader — for example, having the renminbi supplant the dollar — because it can't.

There's plenty of bad news. Xi's desire for greatness won't be achieved in conventional economics, leaving technological, political, and military alternatives. His new objectives include greater independence plus the ability to coerce.

China's shift alters the bilateral competition. Beijing is more interested in controlling and weaponizing supply chains. Aggressively absorbing technology has given way to aggressively targeting sectors for technology leadership. The United States is responding along these lines, but painfully slowly.

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