

Transforming Water Security Through Women's Leadership

READ HERE AN ISSUE BRIEF BY FP ANALYTICS



WITH SUPPORT FROM

DAUGHTERS FOR EARTH
VITAL VOICES
PROJECT DANDELION

ARGUMENT

An expert's point of view on a current event.

Xi Jinping Has Tough Economic Choices Ahead

China is likely to pick security over prosperity.

By [Raja Krishnamoorthi](#), a Democrat from Illinois and the ranking member of the House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party.



Chinese President Xi Jinping, left, looks through documents while serving as the chairman of the Standing Committee of the National People's Congress in Beijing on March 11. GREG BAKER/AFP VIA GETTY IMAGES



In-depth geopolitical analysis you won't read anywhere else.

GET ACCESS



Xi Jinping, the general party secretary of the Chinese Communist Party (CCP), is in a bind. The economy of the People's Republic of China is facing a once-in-a-generation crisis. The country's real estate market is in free-fall, its population sank by 2 million people in 2023, and its stock markets have lost roughly \$7 trillion since 2021. Numerous countries are cooperating multilaterally to take countermeasures against what they view as the CCP's military and economic aggression. Xi's grip on his rule is secure for the moment, but he is confronting unprecedented challenges to his leadership.

Fundamentally, Xi faces a dilemma over China's future. He and his government must decide

whether to continue to prioritize increasing security and centralizing his control over the country, chilling the animal spirits of entrepreneurship in the process, or to loosen his control over the country and reduce aggression toward his neighbors, allowing for greater growth and prosperity. It is highly unlikely that he will choose the latter—and we in the United States must now begin to ready ourselves for potential challenges.

Although the latest official economic statistics show China hitting its growth targets, those figures often reflect CCP narratives more than reality, and other indicators show that China's economic state is precarious at best. Some outside analysts put China's actual GDP growth as low as 1.5 percent in 2023. The country has lost at least \$4.7 trillion in housing wealth since its market peaked in 2021. Other market indicators offer no hope for a rapid recovery, as the housing sector has just reported its worst performance ever recorded for both new and existing housing sales, while new construction has declined by a record 60 percent compared to pre-pandemic levels. After defaulting on more than \$100 billion in international bonds over the past 4 years, China's largest developers have either collapsed or survive only through government support.

Injections of foreign capital have not helped to close the gap. Foreign direct investment into China is at its lowest point in three decades. China's stock markets are down by nearly 20 percent over the past year. While stocks are relatively unimportant to Chinese household savings, public wealth is overwhelmingly tied up in real estate. Major players—such as Evergrande, Vanke, and Country Garden—are teetering on the brink of collapse as property prices continue to fall despite the government's best efforts to prop them up.

The situation could grow far worse as the country approaches a potential deflationary crisis following the largest drop in consumer prices in 15 years. All this comes as the country faces the beginning of its demographic free-fall, during which an aging Chinese population may decline by as much as 100 million people by 2050.

Since the beginning of former leader Deng Xiaoping's reform and opening, the CCP has sold China's economic growth as a key pillar of its legitimacy. Many in the party still recognize the importance of solving these economic challenges to its legitimacy and control. One important way out is foreign direct investment. Some in the CCP are eager to court U.S. capital and reassure U.S. investors that China remains a hospitable market for doing business. At the Asia-Pacific Economic Cooperation summit last November, Xi dined with U.S. business leaders and emphasized that "China is ready to be a partner and friend of the United States, and there is plenty of room for bilateral cooperation."

However, despite Xi's rhetoric, the actions of the Chinese government do not line up with creating a hospitable business environment for U.S. and other foreign companies. China has been steadily tightening its national security and data protection laws at the expense of businesses being able to conduct due diligence, market research, or otherwise normal operations.

Earlier this year, the Chinese government broadened the scope of its state secrets law, making it even more difficult for businesses to provide information for foreign investors and stakeholders. Even more chilling is the detainment of business leaders; in 2023, many top Chinese executives from technology, finance, and real estate companies were detained or went missing. This threat is not limited to Chinese executives, as foreigners have faced exit bans.

Perspective-changing analysis.
Take on the world with FP.

SEE OFFERS

The Chinese military's increasingly aggressive actions in Taiwan also rattle U.S.-based and other

foreign businesses. The Chinese People's Liberation Army (PLA) has steadily increased incursions into Taiwan's air defense identification zone, and in September 2023, there was a record number of PLA aircraft around Taiwanese airspace in one day.

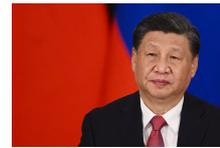
In the event of an invasion of Taiwan, the United States and other Group of Seven countries would likely impose severe economic sanctions, and estimates of the damage to the global economy are in the trillions of dollars. Companies do not want to become caught in the crossfire. Yet Xi seems willing to contemplate taking these risks for his ambition of controlling Taiwan.

Xi now faces a fundamental dilemma in balancing his country's prosperity and his party's level of control. Despite the importance of maintaining economic growth for his popular support, Xi has consistently prioritized control ahead of his people's prosperity.

[READ MORE](#)

Xi Jinping Is Trying to Adapt to Failure

China is in a far worse position than when he took office.



As Xi wrestles with this choice, we and others—including the Chinese people—must hope for the best while continuing to prepare for the worst.

My FP: Follow topics and authors to get straight to what you like. Exclusively for FP subscribers. [Subscribe Now](#) | [Log In](#)

Rep. **Raja Krishnamoorthi**, a Democrat from Illinois, is the ranking member of the House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party.

READ MORE ON [CHINA](#) | [ECONOMICS](#)

Join the Conversation

Commenting on this and other recent articles is just one benefit of a **Foreign Policy** subscription.

Already a subscriber? [Log In](#).

[SUBSCRIBE](#)

[View 3 Comments](#) ▾

MORE FROM FOREIGN POLICY





The Iran-Israel War Is Just Getting Started



New Zealand Becomes the Latest Country to Pivot to the U.S.



A Tale of Two Megalopolises



The Strategic Unseriousness of Olaf Scholz

Latest

Blinken Urges Hamas to Accept Hostage Deal

APRIL 29, 2024

Cuba Is Ailing, but the Regime Remains Sturdy

APRIL 29, 2024

Appeasement Is Underrated

APRIL 29, 2024

Turkey's Democracy Is Down but Not Out

APRIL 29, 2024

How Globalization Rose and Fell With Nord Stream

APRIL 29, 2024

SEE ALL STORIES

EDITORS' PICKS

- 1 **Appeasement Is Underrated**
- 2 **What Columbia's Protests Reveal About America**
- 3 **Where Global Governance Went Wrong—and How to Fix It**
- 4 **Xi's Imperial Ambitions Are Rooted in China's History**
- 5 **How Globalization Rose and Fell With Nord Stream**
- 6 **Democracy Has Run Out of Future**



Latest

Israel-Hamas Cease-Fire Talks Focus on Hostage Release Efforts

APRIL 29, 2024

Cuba Is Ailing, but the Communist Regime Remains Sturdy

APRIL 29, 2024

Appeasement Is Underrated

APRIL 29, 2024

Turkey's Opposition Is Surprisingly Strong

APRIL 29, 2024

Nord Stream Heralded Globalization's Rise and Fall

APRIL 29, 2024

[SEE ALL STORIES](#)

FP

FP SOLUTIONS

[FP Analytics](#)

[FP Events](#)

[FP Studios](#)

[Simulations and
Peacegames](#)

[Advertise with FP](#)

[Country Reports](#)

SUBSCRIPTION SERVICES

[Your FP Account](#)

[Group
Subscriptions](#)

[Reprint
Permissions](#)

[FP Magazine
Archive](#)

[Buy Back Issues](#)

EDUCATION

[Graduate
Education Guide](#)

[FP for Education](#)

[Institutional
Access](#)

ABOUT FP

[Writer's
Guidelines](#)

[Meet the Staff](#)

[Work at FP](#)

[Contact FP](#)

[Privacy Policy](#)

[Terms of Use](#)

[Accessibility](#)



Foreign Policy Magazine is a division of Graham Holdings Company. All contents (c) 2024, Graham Digital Holding Company. All rights reserved. Foreign Policy, 655 15th St NW, Suite 300, Washington, DC, 20005.

Powered By WordPress VIP