

China's "Economic Race" with the US is Over? Beijing Set to Focus on Building Domestic Production Networks?

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It's over. The China threat. No Thucydides trap of rising power threatening established power. Still scope for misunderstandings, a naval clash in the South China Sea, an exchange at the border war with India, fighter jets taking matters into their hands.

But the economic race with the United States is over. China has new economic goals.

Actually, China has new priorities and the economy is now second fiddle to politics.

Gone are the visions of a new world order. Covid has played a part but it also provides useful cover for Beijing to chart a new course. Ever since Xi Jinping took office in 2012, China's growth rate has been dropping, even according to official figures. Beijing has indicated a willingness to accept a post-coronavirus [growth target](#) of 5 percent or less. In the BC era (Before Covid) this would have set alarm bells ringing as it was assumed that nothing less than growth of 6 or so percent could guarantee the stability required for the party to stay in power.

An October meeting of the Central Committee of the Chinese Communist Party, supported Xi's agenda for the 14th five-year plan. No surprise there. But the communiqué, set to be endorsed in March when the rubberstamp National People's Congress, or parliament, meets, included an item that almost shyly stated a new departure: it said that China would "basically achieve socialist modernization" by 2035 in order to finally "reach the level of moderately developed countries". The rampant growth model that had astounded, frightened and helped the financial-crisis hit West, has encountered a reality too often ignored; the party is over because of the party.

China's economy [will reach](#) a "new level". Yes but so will the government's capacity to monitor and control it. And that's the change. Xi needs growth, as his predecessors did, but he cares primarily about political control. For four decades after opening to the world in 1978, China pursued economic growth at all costs, even loosening the party's grip. Not anymore.

Between the death of Mao Zedong in 1976 and the coronavirus pandemic in 2020, the

economy dipped only in 1989 and 1990. This was the time of the Tiananmen massacre and a crackdown on dissent. The China brand was damaged. It never fully recovered but its breakneck turbo-charged economic performance could not be ignored. China made headlines because of growth. Now it makes headlines for politics, threats, trade disputes, border skirmishes.

Belligerency rather than diplomacy has been the trend. Hong Kong's freewheeling economy has been jolted to a stop by a draconian [security law](#). Party committees in private companies, long dormant, have been reactivated. More than a million Uighurs are in [labor](#) camps. Beijing announced it was investigating the Alibaba Group, the flagship online retail giant founded by Jack Ma. This more than any other company was the very symbol of China's emergence.

China is paying for Xi's "wolf warrior" diplomacy (their version of Rambo diplomacy). India is a prime example Chinese technology giants such as Huawei, Alibaba, and TikTok were set for market dominance in the world's second-most populous market. Then Chinese border troops [killed](#) 20 Indian soldiers in brutal hand-to-hand fighting in Ladakh in June. Consequently, Chinese tech has been almost driven from the Indian market.

China has heated disputes, regarding territory or trade, with Indonesia, Malaysia, Australia and Japan and the artillery from the US-Chinese trade war is rumbling in the distance.

The swashbuckling approach to international trade is over. Chinese entrepreneurs were once told to go out and multiply their profits. China will still have a global presence but the main thrust of its commercial strategy now is to build domestic production networks, free from the threat or imposition of sanctions, that fall under party control.

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