Countering CCP Global Influence: China's Economic Trajectory
Points of Discussion*

Bottom Line Up Front:

The Chinese Communist Party (CCP) is determined to make China the predominant global economy. This poses the most significant threat to U.S. economic prosperity in the 21st century.

- CCP officials have made clear time and again they will leverage China's economic dominance to advance their own geopolitical aims. Beijing views overtaking the U.S. economy as a key goal.
- What happens in China does not stay in China. The People's Republic of China (PRC) has pursued a coordinated, multi-decade campaign to undercut and supplant key U.S. industries. This has made us—and our friends around the world—economically dependent on China in critical sectors.
- Washington must develop a comprehensive strategy to protect the U.S. economy from China's unfair trade practices and revitalize our industrial base after decades of sustained PRC predation.

Background:

When China joined the World Trade Organization in 2001, the conventional wisdom in Washington and on Wall Street held that China's economy would evolve in a market-oriented direction, spurring political liberalization and adherence to global fair-trade rules. China's economic record—particularly since Xi Jinping came to power—has put the lie to this prediction. Washington has been chronically slow to adapt and respond to the PRC's increasingly state-centralized economy, predatory trade practices, industrial subsidies, and rampant intellectual property theft from U.S. and Western firms.

For many years, conventional wisdom among economists and business leaders also held that PRC's economy was on a path to eclipse the United States' in size by the late 2020s. However, Chinese economic growth has slowed in recent years, particularly since the COVID-19 pandemic. The PRC economy also faces structural challenges—such as underconsumption by households, overinvestment in infrastructure, youth unemployment, and unsustainable debt. While the PRC is no longer expected to overtake the United States economically in the near future, policymakers should not discount China's economic heft.

Key Issues:

- **Economic Decoupling:** U.S. officials have sounded the alarm on the importance of reducing America's economic dependence on China. Constrained access to personal protective equipment during the COVID-19 pandemic was a warning of the danger of being over-dependent on China in key manufacturing sectors. While targeted restrictions on PRC imports and investments to enhance our domestic industrial capacity will create some market inefficiencies in the short term, the far greater risk is dependency on China, particularly for vital health- and technology-related goods.
- **Addressing Vulnerabilities in Key Supply Chains:** The PRC has made significant, deliberate investments over many years to undercut competitors and seize market dominance in key economic sectors. For example, China controls 80 percent of the critical minerals supply chain, production of many active pharmaceutical ingredients, and a major share of industrial casting and forging. Washington should pursue policies to bolster American-made alternatives as well as to diversify global supply chains among our friends and allies.
- **Strengthening the U.S. Defense-Industrial Base:** Outdated procurement practices and inconsistent federal spending have abetted the atrophy of America's defense industrial base. In turn, this has reduced overall manufacturing capacity for key weapons & military equipment, decreased the number of alternate suppliers, and increased reliance on many Chinese exporters. Reformed federal practices could allow for greater contract competition while mitigating supply chain disruptions and enabling the defense industrial base to surge manufacturing when required.
- **Multilateral Trade Agreements:** Effective, well-structured trade deals are a powerful tool for the United States to counter the PRC's economic influence. Reducing key trade barriers aligns the economies of friendly nations in the Asia-Pacific with our own, rather than with China's. The U.S. Trade Representative should re-double our pursuit of multilateral trade, prioritizing Free Trade Agreements and targeted, sectoral agreements with complementary economies such as Taiwan, the Philippines, and Indonesia.

*This document is a summary of points raised during a multi-person discussion and does not represent the views of any particular participant.