

## The mixed message about China's economy

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### Warm-Up Questions:

1. What is your understanding of China's role in the global economy?
2. How important do you think foreign investment is for a country's economy?

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JUANA SUMMERS, HOST:

China's premier spoke this week at the World Economic Forum in Davos, Switzerland, saying the Chinese economy is doing just fine and **making a pitch** to international investors that China is open for business. But as NPR's John Ruwitch reports, other signals out of Beijing have been conveying a different message.

JOHN RUWITCH, BYLINE: As premier, it's Li Qiang's job to talk up the economy. Here he is speaking through an interpreter at Davos.

LI QIANG: In the past five years, the return on foreign investment, foreign direct investment in China stands at around 9%, which is quite competitive globally. So I always say that choosing the Chinese market is not a risk but an opportunity.

RUWITCH: But Li's message **stands in contrast to** what his boss seems to be focused on.

PRESIDENT XI JINPING: (Speaking Mandarin).

RUWITCH: That's Chinese leader Xi Jinping speaking at Parliament last year. Security is the foundation for development, he says. Stability is a **prerequisite** for prosperity. Sheena Chestnut Greitens is a China expert at the University of Texas, Austin.

SHEENA CHESTNUT GREITENS: So I think that the idea that economic growth created the basis for stability for the Chinese Communist Party was **the conventional wisdom**, and I think that was the conventional wisdom until pretty recently. So he's actually **inverted** the cause and effect in that relationship.

RUWITCH: And that's meant the economy is increasingly **seen through the lens of** security. That's had a noticeable effect, according to Dan Rosen, a partner at the Rhodium Group, an economic research firm.

DAN ROSEN: A year ago, virtually all of the CEOs and senior executives that we speak to at Rhodium Group believed that by the end of the year, China as they knew it was going to be back.

RUWITCH: The country's **draconian** COVID rules were **in the rearview mirror**, and everyone expected the economy to rev back up. But it didn't.

ROSEN: By December 31, or really by the fall of 2023, I'd say 100% of the CEOs felt differently.

RUWITCH: Not only were the authorities not taking strong enough measures to revive the economy, some thought. They were doing other things that made businesses nervous. Those include the rollout of tough rules on data security and revisions to an anti-espionage law that limit the kind of information that companies can collect in China. There have been raids on a handful of Western consultancies, and the authorities have intensified a campaign to **root out** spies.

Business confidence has suffered. A survey by the European Chamber of Commerce in China a few months ago showed that two-thirds of its members said it had become harder to do business in China over the prior year. Three in five said they were losing business opportunities because of **red tape** or regulation. Foreign direct investment in particular has fallen off a cliff.

LING CHEN: Basically, China is facing a dilemma.

RUWITCH: Ling Chen is an assistant professor at Johns Hopkins School of Advanced International Studies in Washington, D.C.

CHEN: They need to promote economic growth, on the one hand, and also emphasize the securitization of the economy, on the other hand.

RUWITCH: Balancing that has been tough. Different agencies have sent out conflicting signals. The usually secretive Ministry of State Security, for instance, has recently become vocal about the economy. Chen says the contradictions show that the authorities are responding to internal pressure as the economy slows and external pressure as trade and political frictions with the U.S. and others grow.

CHEN: They, first of all, have to prioritize survival before they talk about other things like diversifying the economy.

RUWITCH: But it's **a catch-22**. At some point, analysts say, survival also requires a dynamic economy. And there have been recent signs that the government is aware of that fact. They've been ramping up steps to support growth. And in August, the authorities issued a list of 24 measures to stabilize foreign investment. Jens Eskelund,

president of the European Chamber of Commerce in China, says that's welcome, but it raises a question.

JENS ESKELUND: What we ask ourselves is whether this is just a **tactical play** until China is doing better economically and has become more self-reliant or is it an expression of a real shift in attitude?

RUWITCH: A tactical play or a real shift in attitude? He says people he's talked to who've been in China a while tend to be on the **cynical** side.

#### Vocabulary and Phrases:

1. **Make a Pitch:** To present or propose something in a persuasive manner.
2. **Stand in Contrast to:** To show a noticeable difference when compared with something else.
3. **Prerequisite:** A thing required as a prior condition for something else to happen or exist.
4. **Conventional Wisdom:** The set of ideas or explanations generally accepted as true by the public.
5. **Seen through the Lens of:** To consider or evaluate something from a particular perspective.
6. **Draconian:** Excessively harsh and severe.
7. **In the Rearview Mirror:** Something that has passed or is no longer a concern.
8. **Root Out:** To find and remove something, usually a problem or something undesirable.
9. **Red Tape:** Excessive bureaucracy or adherence to official rules and formalities.
10. **Catch-22:** A paradoxical situation from which an individual cannot escape due to contradictory rules or limitations.
11. **Tactical Play:** A strategic action or decision made to achieve a specific goal.
12. **Cynical:** Believing that people are motivated purely by self-interest; distrustful of human sincerity or integrity.

#### Comprehension Questions:

1. What was the main message of China's premier at the World Economic Forum?

2. How does President Xi Jinping's focus on security contrast with the premier's message?
3. What impact did the draconian COVID rules have on China's economy according to the report?
4. What challenges are foreign businesses facing in China as per the European Chamber of Commerce survey?
5. What dilemma is China facing in balancing economic growth and security, according to Ling Chen?

**Discussion Questions:**

1. Do you agree with the approach of prioritizing security as a prerequisite for economic prosperity? Why or why not?
2. How do you think a country can effectively manage the balance between economic growth and national security?
3. In your opinion, are the recent measures taken by China to stabilize foreign investment a tactical play or a real shift in attitude? Explain your reasoning.
4. Discuss a situation where you have seen conventional wisdom challenged or inverted in your own country or globally.
5. How do global events like the changes in China's economic policies affect the world economy, and what impact do they have on your country?