

China's Reimagined Future

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Global Trade Day: Defining a new Cartography

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Xi Jinping's vision of the Great Rejuvenation of the Chinese Nation

- Transforming the international system and China's place within it
- Reclaiming Chinese centrality on the global stage



Xi Jinping's 2049 objectives

• **Five dimensions to Xi's strategy**

- Assert control over areas China considers to be its sovereign territory
- Replace the United States as the dominant power in the Asia-Pacific
- Transform China into the world's leading technological and economic power
- Ensure alignment of other countries' priorities and policies with those of China
- Shape international norms and institutions to support Chinese interests

1. Assert Chinese sovereignty over territorial Claims

- Core Interests: Hong Kong, Taiwan, South China Sea
- Ten territorial conflicts with other countries
- Reunification with Taiwan is one of 14 "must do" items for the Great Rejuvenation of the Chinese Nation
- Make China whole again



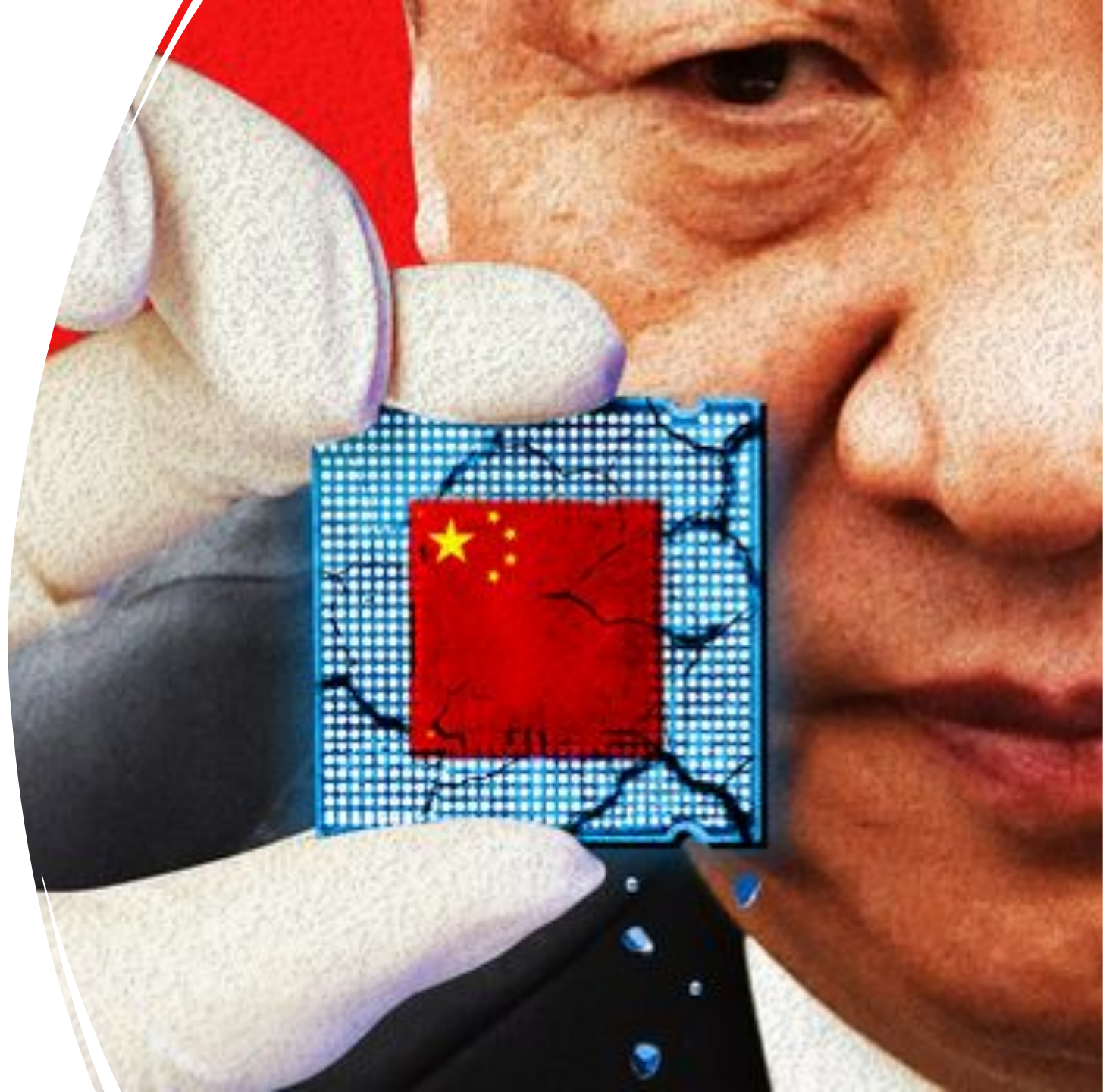


2. Replace the United States as dominant power in the Asia-Pacific

- Asia is for Asians
- Regional Comprehensive Economic Partnership
 - 30 percent global GDP
- Chinese security architecture v. Military assertiveness

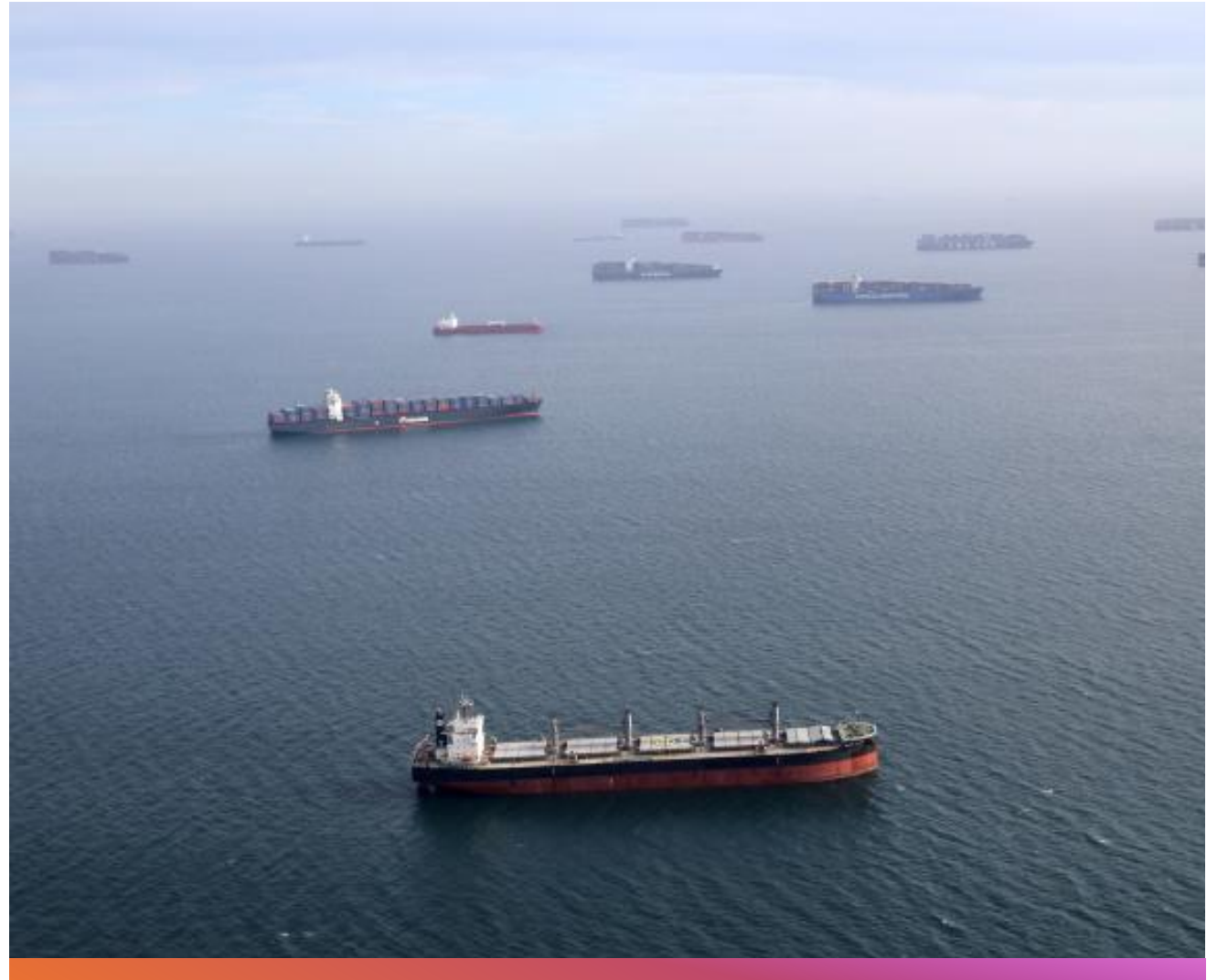
3. Transform China into world's leading technological and economic power

- Xi believes that the country that leads in technology will lead the global economy
- Made in China 2025
 - Ten Cutting-edge Areas of Technology
 - Global dominance in: high-speed rail, graphene, unmanned aerial vehicles, solar panels and electric vehicles and lithium batteries
- Dual Circulation
- Ambitions not limited to technology



4. Ensure alignment of other countries with Chinese Interest

- Belt and Road Initiative
- Digital, Health, Green, Polar silk roads
 - BRI is not dead
 - Funding back to 2018 levels
 - Small is beautiful priorities: mining, digital, clean tech
 - Political Play
 - Military Expansion
- Economic Coercion
 - Boycotts, Bans
 - THAAD, NBA, COVID



5. Transform international norms and institutions

- Systemic Initiatives: BRI, GDI, GSI, GCI, GGI
- Challenges to Norms: Human Rights, Security, Governance
- Frontier Domains: Arctic, Maritime, Space, Global Finance, Technology



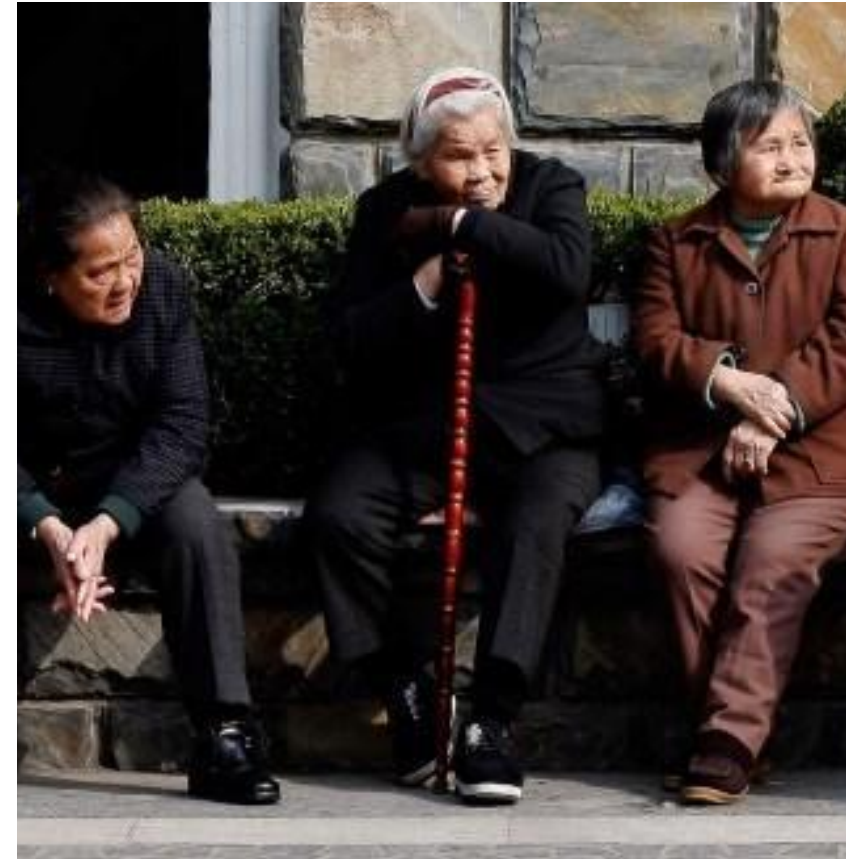
Three factors shaping China's ability to realize its objectives

- Domestic economic and political considerations:
 - Demographics
 - Centralized Control
 - Property, Debt, Declining Productivity
 - Fractured Society
- International sentiment
- The Trump factor



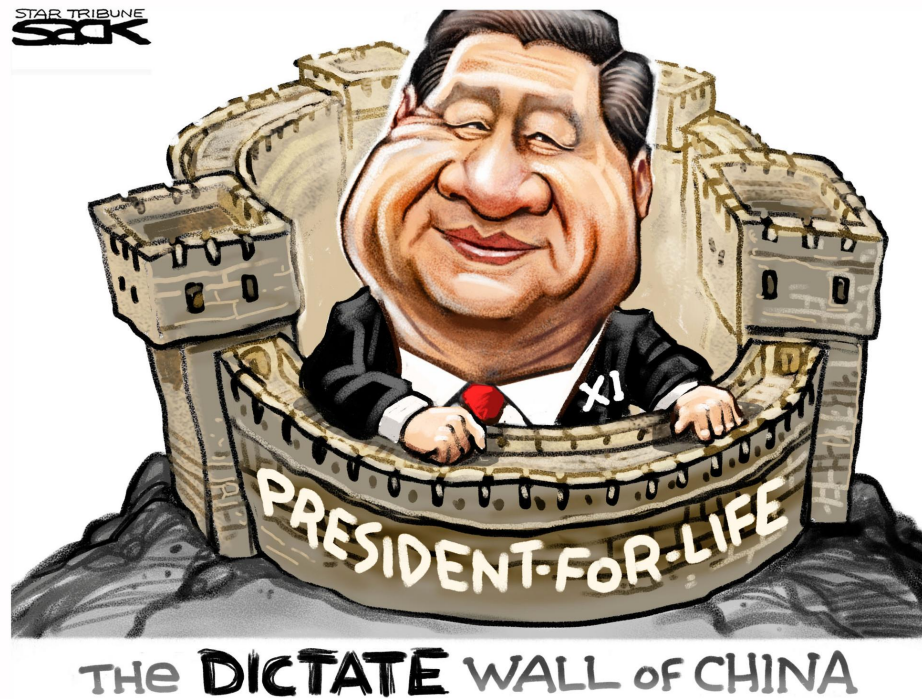
Demographics

- China's birthrate continues to fall despite 2016 reform to the one child policy.
- China's birthrate ranks in the bottom 5 percent out of 200 countries and territories, with an estimated 1.0 to 1.2 births per woman in recent years
- The population is projected to shrink from 1.4 billion today to between 500-600 million by 2100. Working age population peaked in 2014. Will be one-fifth of peak by 2100
- Reasons: High cost of raising children, gender discrimination in workplace, cultural norm of one-child, lifestyle changes, lack of economic confidence
- Implications: Weaker technology innovation and adoption, stress on failing pension and healthcare system, weaker consumer spending



Centralized control

- Policy rigidity and reduced feedback loops
- Greater risk of over-reaction: Covid-19 response
- Heavy repression and surveillance
- Inefficiency and waste



Property, Debt, and Declining productivity

- Failing Property Sector
 - Accounts for ~25-30% of GDP and 70% of household wealth
 - new home sales fall 15-25% year over year, with over 50 major developers defaulting since 2021
- Increasing local government debt
 - Reached approximately \$13 trillion (¥94 trillion) in 2023, equivalent to ~60% of China's GDP.
 - Total Debt to GDP: 312%
- Declining Productivity
 - China's Total Factor Productivity (TFP) growth has slowed from 3-4% annually in the 2000s to near zero or negative in recent years



Fractured Society

- Significant Political divides:
 - Gender, Ethnicity, income, rural v. urban, creative vs. bureaucratic class
- Low consumer confidence
 - Private consumption accounts for only 39% of China's GDP, far below the 60-70% typical in developed economies
- Youth unemployment
 - In 2024, 11.8 million students graduated, yet only 48% found employment



International Sentiment

- BRI countries pushback: protests, cancelled projects
 - One-third of BRI projects have encountered major implementation problems or been cancelled.
 - Increasing concern over host country debt, environment, labor, and security considerations. (e.g. planned joint Chilean-Chinese observatory in Atacama desert under review).
- Advanced economies pushback
 - Chinese support for Russia
 - overcapacity
 - Cyberattacks
- Divided BRICS
 - De-dollarization/anti-West, BRICS enlargement, BRI, governance



The Trump effect

- **No China strategy but byproduct of America First Agenda**
 - Reduced role on global stage
 - Non-ideological foreign policy
 - Global Tariff War
 - US Technology dominance
 - Strong U.S. Security Deterrent
 - Indo-Pacific #2 priority
 - Shipbuilding, Ports, Rare Earths
- **US not soft on China but potentially weak**
 - Short term thinking leads to long-term strategic losses
 - Lack of coherence across policy arenas
 - Inability to negotiate strategically



Implications for Chile

- China's relations with Chile are expanding
 - Defense cooperation is growing
 - Increasing trade dependence: Approx. 40 percent of Chilean exports go to China
 - Chile has applied to join RCEP
 - Growing bilateral economic and technological cooperation: customs information sharing, tax treaties, information and communications technology (ICT), scientific cooperation
 - Chinese investment in state grid, port infrastructure and shipping
 - In public opinion, Chinese investment is viewed favorably but some concern around growing Chinese stakes in infrastructure and resources
- Chile should expect increased attention and pressure from U.S.
 - Priority Areas for Trump administration: Minerals, Technology, Ports
 - Both the United States and China have expressed interest in developing the Punta Arenas Port in Southern Chile
 - Potential for increased investment through DFC

