

China's growth rate increase fuels geopolitical tensions

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Under different circumstances, the Chinese government's announcement that the economy grew by 6.5 percent in the final quarter of the 2020 would have been welcomed as providing a useful boost to global growth. Despite a contraction of 6.8 percent in the first quarter of 2020, output expanded by 2.3 percent overall for the year.

This news was not welcome in many ruling circles today, however. It will lead to increased tensions with the US amid concerns that the expansion of the Chinese economy in the face of a slump in America and other major economies will boost the economic and political power of Beijing, which the US is determined to counter.

The 6.5 percent growth in the fourth quarter indicates that the Chinese economy is expanding at a faster rate than before the onset of the COVID-19 pandemic, exceeding expectations.

The main reason for the rebound was a 7.1 percent rise in industrial production in the fourth quarter, compared to a 5.8 percent increase in the third, as a result of greater state support.

Increased exports were another factor. China recorded its highest-ever monthly trade surplus in December. Exports rose by 18 percent—the third consecutive month of a double-digit percentage increase.

Announcing the figures, Ning Jizhe, head of the National Bureau of Statistics, said the economy had “recovered steadily” last year, but cautioned that the “changing epidemic dynamics and external environment pose a multitude of uncertainties.”

The economic growth was reflected in financial data. The Chinese currency, the renminbi, went over the level of 6.5 to the US dollar for the first time since 2018 and the stock market hit its highest level since the global financial crisis of 2008-09.

The Chinese growth stands in marked contrast to the rest of the world. The World Bank expects the global economy to have contracted by 4.3 percent last year, much of it due to an expected 7.4 percent slump in the eurozone, with the contraction in the US expected to be 3.6 percent.

In reporting the Chinese figures, the *Wall Street Journal* gave expression to issues that are undoubtedly being discussed in the incoming Biden administration and more broadly within the US political and intelligence establishment.

The newspaper noted that while in per capita terms China's gross domestic product (GDP) at \$10,000 was far below the US level of \$65,000, “the sheer size of its market, combined with its weathering of the worst economic downturn in memory, means that China is arguably entering the new year with a stronger hand.” Chinese President Xi Jinping would make use of this in his dealings with the incoming Biden administration.

The article noted that despite the Trump administration's efforts to slow its rise, China's economy last year grew to two-thirds of that of the US. In the wake of the pandemic, in which China grew and the US pulled back, “many economists now see China reaching parity with the US by 2028—five years earlier than some pre-COVID forecasts.”

The rise would not stop there as “many forecasters expect the Chinese economy to only widen its gap with the US after overtaking it.”

Without the growth in China, the global economy would have shrunk by 5.7 percent last year, compared to the 4.3 percent contraction estimated by the World Bank. China's performance means that instead of its usual average annual boost to global GDP of 0.8 percent, its impact last year is likely to have been around 1.5 percent.

The significance of stronger Chinese growth for US-China relations and the overall global position of the US was also the subject of a column by *Financial Times* foreign affairs correspondent Gideon Rachman, who further drew attention to the global impact of the Donald Trump-incited coup attempt of January 6.

In an article entitled “America’s disarray is China’s opportunity,” Rachman highlighted the incoming Biden administration’s policy of trying to orchestrate a US push against China by organising a coalition against it.

Biden, he wrote, “had planned to call a summit of the world’s democracies.” But after the coup attempt, “America may lack the credibility to act as a convener of the free world.” The Biden “democracy summit” might be quietly shelved in favour of a meeting of 10 “democracies” convened by the UK.

On the economic front, Rachman noted that a large part of America’s emerging battle with China would be for economic influence around the world. At the end of 2019, 128 of the 190 countries in the world traded more with China than they did with the US and the World Bank projected that the Chinese economy would grow by 8 percent this year, compared to 3.5 percent for the US.

Rachman cited a tweet by Richard Haass, the president of the Council on Foreign Relations, on the night of the coup attempt. Haass wrote: “No one in the world is likely to see, respect, fear or depend on us in the same way again. If the post-America era has a start date, it is almost certainly today.”

American imperialism is not going to quietly fade away, however. As Leon Trotsky noted more than 90 years ago, the US would use its power more openly and violently in the period of its decline than during its rise. There is little doubt that the latest growth figures will be factored into the predatory calculations being made by the incoming Biden administration.



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