# China to press ahead with growth in the face of US economic war

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Chinese Communist Party leaders have put on a bold, even defiant, front in the face of the economic war launched against the country by the Trump administration.

Determination to continue Chinese economic growth, despite the imposition by the US of tariffs on Chinese goods, now at 20 percent and with threats they could go higher, was the central official theme of the National People's Congress (NPC) that opened in Beijing on Wednesday.

Delivering the government's work report in which its economic plans for the coming year are outlined, Premier Li Qiang, the number two in the Chinese hierarchy after President Xi Jinping, announced a growth target for 2025 of "around 5 percent" despite the US tariffs and a weakening domestic economy.

The growth target is the same as the previous two years. But while the work report sought to project an air of confidence, it noted the enormous changes in the geo-political and global economic landscape.

"Changes unseen in a century are unfolding across the world at a fast pace," it said, and, without naming the US as centrally involved, said these shifts could affect China's trade and economy.

In his address to the NPC, Li said; "Achieving this year's targets will not be easy, and we must make arduous efforts to meet them. An increasingly complex and severe external environment may exert a greater impact on China in areas such as trade, science and technology."

However, in the face of these mounting external pressures, Li sought to strike a confident tone. "The underlying trend of long-term economic growth has not changed and will not change. The giant ship of China's economy will continue to cleave the waves and sail steadily into the future."

Notwithstanding these declarations, the work report set out initiatives to try to deal with some of the key problems of the economy. Chief among these is the stagnant domestic economy, characterised by disinflation and very slow growth in consumption spending.

Last year retail sales growth fell from 7.1 percent in 2023 to 3.4 percent and the drag on the economy caused by the collapse in the real estate bubble persisted with new investments in this sector falling by 10.6 percent from a year earlier.

The economy has become more dependent on exports to fuel growth. According to government data, they accounted for nearly one third of the growth rate of 5 percent last year, the highest level since 1997.

In something of a shift, Li said the top priority for 2025 was "vigorously boosting consumption," acknowledging that the domestic economy was sluggish. Recognising the disinflationary environment, the work report lowered its inflation target rate from 3 percent to 2 percent.

Pointing to the shift in orientation, Tilly Zhang from the think tank Gavekal Dragonomics, which specialises in analysis of the Chinese economy, said: "For the first time, boosting consumption has been elevated to the top priority among 2025's major tasks, displacing technology from its usual leading position."

Li said the 5 percent growth target was necessary to "stabilise employment, prevent risks and improve people's wellbeing" as well as meeting long-term development goals.

As a stimulus measure, the budget deficit target has been increased to 4 percent of GDP, up from 3 percent the previous year, the highest level in several decades. The work report said the government would "adopt a more proactive fiscal policy."

But analysts have characterised the growth target as more aspirational than a serious commitment. Some have even said that the growth target is a “fantasy” because of the lack of sufficiently vigorous spending measures.

A case in point is that the $40 billion allocated for subsidies paid to consumers who trade in their old cars, kitchen appliances and even rice cookers for new ones was not as large as had been expected.

The government also announced 4.4 trillion renminbi in government bonds for infrastructure and 1.3 trillion renminbi of special central government bonds, both somewhat less than expected, according to Hui Shan, chief China economist for Goldman Sachs.

“The fiscal numbers are disappointing,” she told the *Financial Times* and to meet the growth target exports would need to “surprise on the upside.” That is increasingly unlikely given the US tariff war.

There are indications that the government held back on some stimulus measures, keeping its powder dry, to study the full effects of the Trump tariff measures on the economy.

At a press briefing on Wednesday, Shen Danyang, the official in charge of drafting the work report, said there were “back-up plans for macroeconomic policies, and policies that will be adjusted dynamically to respond proactively to the changing situation.”

While high-tech development did not feature quite as prominently as previously it was a major item. Reporting on the NPC, the *Wall Street Journal* said that “senior leaders championed home grown technological talent that it has long hoped will allow China to catch up—or surpass—the US technologically.”

In the wake of the development by DeepSeek, which unveiled an AI chatbot as good as those produced in the US but at a much lower cost in January, Li devoted sections of his report to Chinese innovation.

The NPC was preceded by what is seen as a certain shift in the attitude of the Chinese leadership to the high-tech chiefs. Last month, in a very public display, Xi met with some of China’s leading high-tech entrepreneurs, including Alibaba chief Jack Ma who has been sidelined for the past four years after criticising government regulators.

The gathering, which included the DeepSeek founder Liang Wenfeng, was taken as a signal they had government backing. But Xi also told them they had to uphold a “sense of national duty”—in other words, toe the government line.

Criticism by Chinese leaders of the Trump administration and its tariff war has so far been relatively muted, at least in official statements.

On Tuesday as the NPC was convening, Lou Qinjian, an official spokesperson told reporters: “We hope to work with the US side to address each other’s concerns through dialogue and consultation on the basis of mutual respect, equality, reciprocity, and mutual betterment.”

But in conditions where the ruling regime knows full well that the US aim is to crush China economically and is fully prepared to start a war if it considers that to be necessary, such blandishments may not last much longer.

A very different tone was sounded in comments by Chinese foreign ministry spokesman Lin Jian after the imposition by Trump of the latest tariff hikes earlier this week.

“If war is what the US wants, be it a tariff war, a trade war or any other type of war, we’re ready to fight till the end,” he said.

There is an objective contradiction at work that contains the enormous danger of war. On the one hand, as was exemplified at the NPC, the Chinese leadership knows it must press ahead with the economic development at all costs, lest any significant slowdown brings to the surface powerful social and class tensions that could threaten the regime.

On the other hand, US imperialism sees China’s economic development in and of itself, especially in the area of high tech and AI, as an existential threat to its global dominance which must be prevented at all costs.