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ANALYSIS**

TOPIC

**NEW LOGIC FOR CHINA'S
ECONOMIC RESILIENCE**

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NEW LOGIC FOR CHINA'S ECONOMIC RESILIENCE

Context

- The Chinese economy has demonstrated remarkable resilience as the global economic and trade order faces severe shocks.
- There are several key economic issues of concern, and it is necessary to examine China's growth dynamics, production capacity, and **bilateral trade relations with India**.

What Is Driving China's Economic Growth?

- In 2025, China's GDP surpassed **140 trillion yuan** (approximately **US\$20 trillion**), recording a **year-on-year growth of 5%**, and China's contribution is **expected to reach around 30%** to global economic growth.
- China's economy advanced through a combination of **consumption, exports, and investment**, while undergoing a **deep and positive structural transformation**.

Domestic Demand as the Primary Growth Engine

- Domestic demand has become the core driver of China's economic expansion. The **final consumption expenditure contributed 52%** of total economic growth in 2025.
- China ranks **among the world's leading consumers** when measured by internationally accepted **physical consumption indicators**.
 - ◆ **Mobile phone ownership**: 1.28 units per person, among the highest globally;
 - ◆ **Average daily protein intake**: 124.6 grams, higher than the United States and Japan;
 - ◆ **Annual vegetable consumption**: 109.8 kilograms per person, the highest in the world;

Exports as a Stabiliser

- Exports of goods and services contributed **32.7% to China's economic growth** in 2025, demonstrating strong resilience despite an unfavourable global trade environment.
- **'Made in China' products**, particularly **high-tech goods**, remained highly competitive due to a complete industrial ecosystem and rising innovation capacity.
 - ◆ High-tech exports grew by **13.2%** over the year.
- Exports to major markets such as **ASEAN and the European Union** maintained stable growth.

Investment and Emerging Growth Drivers

- Gross capital formation in China contributed **15.3%** to economic growth. China is steadily shifting toward a growth pattern led by **domestic consumption**, with **exports and innovation** providing additional momentum.
- Breakthroughs in **Artificial Intelligence (AI), Quantum Technology, and Brain-computer Interfaces**, alongside rapid growth in **high-end manufacturing** (such as servers and industrial robots), are shaping the future of the economy.
- At the same time, **green industries**, including renewable energy and clean power, continue to expand rapidly.

Why Is China Not Exporting 'Overcapacity'?

- **From the Supply Side**: China is exporting **high-quality and competitive production capacity**.
 - ◆ In 2025, the **capacity utilisation rate** of above-designated-size industries reached **74.4%**, comparable to levels in the US and the EU.

- ◆ The competitiveness of Chinese products stems from **long-term R&D investment, intense domestic competition, and the world's most comprehensive industrial system**, rather than subsidies or dumping.
- **From the Demand Side:** Global demand is the fundamental driver behind China's expanding production capacity.
 - ◆ Many developing countries have upgraded infrastructure, advanced energy transitions, and accelerated industrialisation by adopting **Chinese equipment and technologies**.

Addressing India's Trade Deficit with China

- **China – India trade** reached a **record \$155.6 billion in 2025**. India's import from China consists of **raw materials and intermediate components** essential for India's manufacturing and development.
- **Growing Indian Exports to China:** India's exports to China rose to **\$19.7 billion**, a **9.7% year-on-year increase**.

Opportunities Ahead For India–China Economic Cooperation

- China has identified **expanding domestic demand** as the top economic priority for 2026, and offers **vast opportunities for high-quality Indian products**, with **1.4 billion people**, including **over 400 million middle-income consumers**.
- India can utilise platforms such as the **China International Import Expo** that can enable premium Indian goods to reach Chinese consumers.
- Both countries can transform trade imbalances into **shared development gains** for Asia by deepening cooperation and moving toward each other.

Source: TH

Daily Mains Practice Question

[Q] Discuss the key factors that contribute to China's economic resilience, and analyze how it reshapes India-China relations.

