

BALANCING GLOBAL DEVELOPMENT: CHINA'S RESPONSE TO ECONOMIC OVER-SECURITIZATION

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(Views expressed in the brief are those of the author, and do not represent those of ISSI)



President Xi Jinping held an important meeting with the leaders and representatives of major international economic organizations in Beijing on December 10, 2024.¹ In this meeting, President Xi stressed the importance of "economic security" as the world has entered a phase of turbulence and change. He emphasized that in pursuing economic security, cooperation, solidarity, and win-win outcomes should become the defining theme of our time. President Xi highlighted that China has consistently promoted international cooperation and multilateralism through major international economic organizations and supported the development of Global South countries. He stated that China is committed to shaping an equal and orderly multipolar world, fostering universally beneficial economic globalization, and building a just world of common development.

In this backdrop, the Shanghai Institutes for International Studies (SIIS) also launched a report in September 2024 titled, *The Global Challenge of Economic Over-Securitization and China's Response*.² The report distinguishes between the concepts of 'economic security' and 'economic over-

1 "President Xi Jinping Meets Leaders of Major International Economic Organizations Ministry of Foreign Affairs of the People's Republic of China." Accessed December 31, 2024. https://www.fmprc.gov.cn/eng/xw/zyxw/202412/t20241210_11541743.html.

2 Youjun Hen, Lei Xue, Xiaoming Pan, Lixiao Jiang, Yu Ye, Yuzhu Wang, Zhongmei Wang, "The Global Challenge of Economic Over-securitization and China's Response" Shanghai Institutes for International Studies, Volume 34, Sep 2024. <https://www.siis.org.cn/updates/cms/cms/202411/190927217600.pdf>

securitization'. It explains that economic security is a critical pillar of national security, serving as a cornerstone of resilience against external risks and a means to promote internal development. This ensures a path to common development under economic interdependence. In contrast, economic over-securitization involves linking economic issues with politics, military considerations, ideology and so on. The report warns that economic over-securitization can lead to market segmentation, inefficient production, and economic conflicts—practices China opposes in its global relations.

The report categorizes the concept of economic security into four stages:

1. **As a structural element of national security:** Economic security is as important as military security, with both directly linked and mutually dependent.
2. **State as the main actor:** In implementing economic security, the state maximizes its national security through economic diplomacy and relations, fostering mutual benefit in interactions with other states.
3. **Manifestation in strength and sovereignty:** Economic security is reflected in a state's overall strength and ability to compete in international economic activities to enhance comprehensive national security.
4. **Policy implementation:** Through policies and strategies, states ensure resilience and mitigate external threats to economic stability.

China's economic resilience is evident in its recent performance. By Q3 2024, China's GDP reached RMB 94,974.6 billion (US\$13,004.3 billion), growing by 4.6% year-on-year.³ The industrial sector grew by 5.8%, driven primarily by high-tech manufacturing, while significant improvement was also observed in the services sector, including information technology and business services. However, challenges remain in the real estate sector due to weak consumer demand. Total imports and exports reached RMB 32.33 trillion (US\$4.43 trillion), up by 5.3% year-on-year, with exports rising by 6.2%.⁴ These figures underscore China's commitment to strengthening its national security by prioritizing economic security.

In the wake of intensifying major-power competition, the concept of economic security is expanding, evolving into "economic over-securitization" driven by protectionism and economic nationalism among others. This phenomenon entails framing economic issues as security concerns, including

³ China Briefing News. "Understanding China's Key Economy Indicators for Q3 2024," October 24, 2024. <https://www.china-briefing.com/news/understanding-chinas-key-economy-indicators-for-q3-2024/>.

⁴ Ibid

reshoring industries to reduce dependencies, forming exclusive supply chain alliances, restricting sensitive technologies and talent flows, and imposing protectionist trade measures. Such practices undermine trade liberalization and globalization, threatening economic stability and cooperation. In response, China emphasizes openness, reform, and leveraging its market size to counter tariff barriers and foster international collaboration.

The report also highlights the risks associated with the dominance of the U.S. dollar in the global financial system, including sanctions and market instability, prompting calls for a diversified international monetary system.⁵ Additionally, it discusses the misuse of export control measures by major economies, particularly the U.S. and EU, targeting emerging technologies and dual-use goods under the guise of national security. These measures disrupt global trade dynamics. Furthermore, the report examines over-securitization in investment regulations, such as barriers to foreign investments and outbound screening, which undermine trust, disrupt international economic norms, and challenge multilateral cooperation. The authors urge nuanced approaches to balance national security with global economic interdependence.

In addressing the challenges posed by economic over-securitization, China focuses on a balanced strategic economic security approach. This strategy per ports to balance market size, systematic risks, and confrontational dynamics in the global economic competition system. Through the Global Development Initiative (GDI), China aims to optimize foreign economic cooperation. The GDI supports the achievement of all 17 Sustainable Development Goals (SDGs) under the 2030 Agenda by revitalizing global development partnerships and promoting stronger, greener, and healthier global development.⁶ This initiative also strengthens China's foreign policy to safeguard its interests against external political and diplomatic pressures.

Additionally, under its "New Capacity Cooperation" strategy, China is restructuring its foreign economic cooperation frameworks. This involves enhancing trade relations and investment mechanisms with developing nations to reduce dependencies on developed economies. The Belt and Road Initiative (BRI) exemplifies this approach, diversifying partnerships, expanding infrastructure development, and creating a resilient global economic network.

⁵ Youjun Hen, Lei Xue, Xiaoming Pan, Lixiao Jiang, Yu Ye, Yuzhu Wang, Zhongmei Wang, "The Global Challenge of Economic Over-securitization and China's Response" Shanghai Institutes for International Studies, Volume 34, Sep 2024. <https://www.siiis.org.cn/updates/cms/cms/202411/190927217600.pdf>

⁶ "Global Development Initiative-Building on 2030 SDGs for Stronger, Greener and Healthier Global Development | Department of Economic and Social Affairs." Accessed December 31, 2024. <https://sdgs.un.org/partnerships/global-development-initiative-building-2030-sdgs-stronger-greener-and-healthier-global>.

To address external challenges, China has implemented structural changes to boost internal economic resilience. Key initiatives include targeting income inequality, improving consumption dynamics, and ensuring financial stability to build robust domestic markets capable of withstanding international volatility. Monetary policy adjustments and efforts to integrate domestic and international financial systems, such as the internationalization of the RMB, are critical components. Cross-border renminbi receipts and payments reached 39 trillion yuan (US\$5.4 trillion) in the first three quarters of 2023, up 24% year-on-year.⁷

Finally, China's strategy in global governance advocates inclusive, transparent systems to counter excessive economic securitization. Through multilateral organizations like BRICS and regional partnerships, China aims to foster a cooperative environment that counters restrictive measures such as trade protectionism and discriminatory practices in high-tech and critical resource sectors.

The tussle between the impulses of economic security and economic over-securitization is likely to intensify as the world braces for a new Administration in the U.S. For the vast majority of countries, especially in the Global South, a balanced approach would be more desirable, i.e. recognizing the imperative of economic security and dealing with the challenges of over-securitization. It remains to be seen how practical and feasible it would be to adopt a middle path, anchored in efforts to insulate economic interdependence from the deleterious effects of geopolitical conflicts.

⁷ CGTN. "Chinese Renminbi Internationalization Progresses Steadily." Accessed December 31, 2024. <https://news.cgtn.com/news/2023-11-08/Chinese-renminbi-internationalization-progresses-steadily-1oylGUOiFSU/p.html>.