

# China's trouble

China's president regularly claims that other countries pose the biggest threat to his regime. In my opinion, he is about as mistaken as he could be. China's biggest threats are internal.

The first threat stems from its youth unemployment rate. The Wall Street Journal reported that a Chinese economist estimates that China's youth unemployment rate is 46.5 percent (the official government estimate is much lower but still very high). The high youth unemployment rate creates a problem for the regime because the people who ferment against governments tend to be young. Young people, especially if they are unemployed, have time to agitate for political change. In contrast, middle-aged people, like myself, are often too busy to protest against the government. They are juggling a busy life that often includes work and family obligations.

The second threat comes from a specific group of young people: college graduates. In China, many college grads cannot find jobs that require a college degree. Their job prospects are so bad that Chinese officials are encouraging these graduates to take low-skilled manufacturing jobs, which are not the kinds of jobs these graduates want. These people, who are college educated and either unemployed or underemployed, may take all of the critical thinking skills they picked up during their college years and apply those skills to evaluating how government

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policies are hampering their desire for better lives. Their frustration may lead them to engage in public protests.

It is not just the young who are dissatisfied with China's economic performance. The frustration has become widespread. For decades, China's economy had been growing at unprecedentedly rapid rates, so fast that the GDP per person would often quadruple in a generation. Well those days are over. China's economic growth has slowed. Families who expected to be able to see improvements in their standard of living will hardly notice a difference from year to year. And when people's expectations aren't met, they become dissatisfied with the political system and dangerous to the regime.

The Chinese government has taken steps that are partially responsible for the slow economic growth. The Chinese government's anti-Western statements have made the rich developed countries realize that they may find themselves in a conflict with China. Further, the Chinese government's support of Russia during the Ukrainian conflict may have prolonged the conflict. This long conflict has made the firms in rich Western countries realize how they might be impacted by a confrontation between the Western powers and China.

Western companies now realize that their businesses

would become vulnerable if their home countries came into conflict with China. China could seize manufacturing assets that are housed in China, much like Russia seized some western assets. This fear has caused foreign investment in China to plummet. With less investment, China's economic growth has slowed.

In addition, Western companies have begun to realize that their home countries may sanction China if hostilities break out, much like their home countries sanctioned Russia for invading Ukraine. Currently, these Western companies worry that their home countries will sanction China should it invade Taiwan. These sanctions would disrupt the supply chains of Western companies. To avoid these disruptions, Western companies have already started obtaining their necessary inputs from countries other than China. This switch has shown up in China's export figures and China has already lost its place as the number one exporter to the United States.

China's rapid economic growth was going to slow down eventually. But it looks like the policies and public pronouncements of the Chinese government have quickened this slow down. It will be interesting to see how the Chinese people respond to an economy that fails to meet their expectations, particularly when it looks like their government is at least partially responsible for this failure.

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