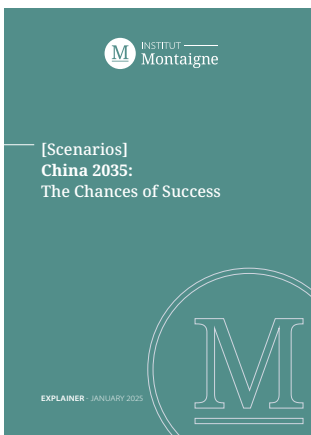


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[Scenarios] China 2035: The Chances of Success



China's path to 2035 will not be a product of its decisions alone. Given China's degree of dependence on exports to the outside world, it will also be set by changes in policies by its partners and competitors. Of course, the **degree of China's success or failure will also reverberate around the world.** Over the past decade, Xi Jinping has reinforced his dominance over the People's Republic of China (PRC), wielding more power than any of his predecessors since Mao Zedong. His centralized, autocratic system has enabled strict political control and the stifling of dissent. Meanwhile, democratic governments appear more

fragmented and hampered by institutional constraints, electoral pressures, and social media-fueled polarization. **In contrast to a decade ago, predictability and certainties for the period between now and 2035 seem to come from China rather than from democracies.** This may foster the perception that authoritarian stability outperforms democratic systems.

In reality, recent decades have shown that the United States, the European Union, Japan, and other democracies are capable of maintaining overall stability. European growth remains modest, while Japan's sunset demographics weigh on its economy. However, the United States' economic performance is robust, and China is no longer set to overtake it in the next decade. China's formerly strong growth rates are now challenged by structural issues, including the misallocation of resources inside a politically driven economy and the onset of a dramatic demographic decline. **The once-assumed continuity of Deng Xiaoping's reformist trajectory disappeared under Xi's rule:** the regime is now more authoritarian and prioritizes state enterprises while suppressing civil liberties.

It has recreated legal and personal insecurity for private entrepreneurs, ended Hong Kong's autonomy, and intensified controls over ethnic minorities in Xinjiang. Ever since **Xi Jinping placed national security in the widest sense above all other objectives**, China has consistently adopted a more assertive stance toward its neighbors and the West. Economic self-sufficiency, civil-military fusion, and the costly pursuit of leading-edge technologies all flow from this priority.

This explainer is part of a series of publications that look beyond short-term political cycles to decipher macro trends among key competitors of the European Union and France. To this end, we assess the odds for different scenarios and some of the responses they are likely to bring. **2035, the end date for Institut Montaigne's scenario exercises, is particularly appropriate in China's case, as it is the key target date set by Xi Jinping for China to achieve "socialist modernization" (社会主义现代化) and a host of other objectives.** But a decade is a long time, and the unexpected may happen, both in China and abroad. Therefore, we have tried to include some outliers in this exercise.

THE CENTRAL ROLE OF XI JINPING AND POLITICAL STABILITY

Xi's rule and the dismantling of succession rules have created an uncertain horizon beyond his tenure. When 2035 arrives, he could still be in power. Under Xi Jinping, the political elite is now older, less diverse, and more submissive, with no obvious successor in sight. **The concentration of power therefore ensures policy continuity, but it may also produce rigidity and a brittle leadership.** Should a major miscalculation occur, such as a failed (regional or world) war, the regime would very likely face an internal crisis. But under present circumstances, no strong or credible domestic opposition can exist. **Xi's policies reshape China's trajectory, and his legacy will later be on the line.**

ECONOMIC AND TECHNOLOGICAL SHIFTS AT THE DOMESTIC AND INTERNATIONAL LEVELS

China's economy is entering new territory, with slower growth, a waning of the old model based on infrastructure investments, and ever-increasing local government debt. **Deflationary trends and structural imbalances – low domestic consumption and ever-rising exports – mark the current phase.** Previous assumptions that China would naturally transition toward a service-led, consumption-driven economy have not materialized. Instead, China's trade surplus has swelled, reaching \$1 trillion in 2024 and making China a massive creditor toward the world and a large investor in US securities. But this **reliance on exports and external surpluses has heightened tensions with China's trade partners, who question the fairness and sustainability of its model.**

These imbalances raise further questions about the long-term viability of China's political economy, as does a demography with fertility rates now far below the replacement rate. This trend threatens even a modest pension system, healthcare funding, and the future labor supply. Although **technological advances and automation may compensate for labor shortages, persistent inequality and limited social safety nets could strain domestic stability.**

And yet **China remains highly capable of adapting industrially and technologically**, including by ensuring competition among local authorities, and curbing private monopolies to encourage start-ups. The state is investing heavily in advanced sectors (quantum computing, artificial intelligence, semiconductors, biotechnologies, robotics) and building a world-leading manufacturing ecosystem. **Xi's pursuit of self-reliance will continue to aim at reducing dependencies on foreign suppliers and leveraging China's manufacturing dominance to exert strategic influence abroad.** Securing chokehold technologies such as advanced semiconductor manufacturing equipment and through export controls has become a goal in varying degrees and forms for the United States, other Western nations, and Japan. Meanwhile, **China's emphasis on**

ideology, surveillance, and top-down control further risks stifling private entrepreneurship, market dynamism, and truly groundbreaking fundamental research. These last two trends will hamper China's drive for cutting-edge innovation.

ENERGY AND CLIMATE DIMENSIONS

Energy was once a major bottleneck for China, but investments in renewables, nuclear power, and grid modernization are now reshaping the landscape.

As the world leader in solar, wind, and electric vehicles, the country is positioning itself as the primary provider of next-generation energy technologies. It even describes itself as the first *"electrostate"*. Even though coal use is still increasing at this point, with a reduced oil and gas intake, China's carbon emissions could still peak before the 2030 target, and carbon neutrality could be achieved by 2060. The country's success in green industries has, therefore, global implications. It can supply affordable green tech worldwide, but this dominance tends to prompt others to question their overreliance on Chinese supply chains.

MILITARY MODERNIZATION AND STRATEGIC AMBITIONS

China's defense spending and capabilities have surged, making it a visible and strong regional power. It fields the world's largest navy and is rapidly modernizing its air and missile forces, while the expansion of its nuclear arsenal is all the more notable. It is also the world's first drone manufacturer and is expanding its capabilities in cyber and space weapons. **Although the People's Liberation Army's (PLA) actual combat experience is historically limited, its military capabilities still serve China's coercive strategies in Asia,** pressuring neighbors and threatening Taiwan – the most critical flashpoint. Until now, China has shown tactical restraint, shifting between pressure and pauses to avoid outright war. However, it has seldom renounced

any of its territorial claims, with minor and dated exceptions concerning some border agreements. Hybrid warfare is another key component of China's tactical toolkit, but military clashes have also occurred. **The prospect of a major international conflict – especially over Taiwan – is present and is evident from both China's deeds and rhetoric.** Whether the country chooses to use force depends on Xi's reading of external resistance, US alliances, and the belief that time and technological accumulation favor its long-term military position.

GLOBAL RESPONSES AND THE STRATEGIC LANDSCAPE

China's future will not unfold in isolation. Its relations with the United States, Europe, Japan, India, and the emerging world, starting with the BRICS countries, will shape possible outcomes. **The West, along with Japan and South Korea, are the ones that are most actively debating "de-risking" or "decoupling" from Chinese supply chains and critical technologies.** These moves are important, as they could limit China's export-led growth and acquisition of technology. Increased de-risking or even a substantial decoupling away from China will result in a more fragmented global economy. Nevertheless, will this contribute to a general backsliding from globalization, or will there be regional trade zones and technological alliances? **How effectively democracies coordinate their responses – and how emerging economies position themselves – could determine whether China continues to leverage global markets or faces a growing push-back.**

A key variable is, therefore, whether foreign partners can muster unity, increase investment to diversify supply chains, and improve their own technological bases. The success or failure of global efforts to limit China's strategic leverage will largely decide whether Beijing modifies its own approach or doubles down on nationalist, autarkic, and export-oriented policies.

Four Scenarios for China in 2035

1. AN UNSTOPPABLE CHINA ON TOP OF THE WORLD

In this scenario, **China solidifies its position as an indispensable global power, dominating key industries and supply chains while keeping its economy stable and technologically advanced.** Democratic fragmentation and a universal drift into protectionism feed China's relative ascendancy. The PRC avoids major wars (or makes gains, for example toward Taiwan, without having to fight), calibrates diplomatic pressure, and leverages export dominance, along with its innovative capacities and control over critical technologies. Its authoritarian governance appears efficient and delivers broad social goods internally. However, **it becomes difficult to sustain nationalist legitimacy in the absence of overt external enemies.** In this case, domestic demands for greater freedoms could emerge. This **scenario is plausible if democracies exhibit increasing** disunion and if Xi Jinping successfully balances nationalism and economic pragmatism. The combined need for global dysfunction and Chinese restraint remains a long shot.

2. A CHINA STILL AMONG THE TOP TIER LEADERS

China achieves its stated goals of becoming a major scientific and technological powerhouse by 2035. It successfully modernizes the PLA. It remains central to global supply chains and is an innovation leader in many sectors. Yet it stops short of overwhelming dominance. International systems remain partly intact, with the United States, the European Union, Japan, and others strengthening certain strategic safeguards. China's global economic insertion is robust but faces de-risking measures. In this setting, **the world adapts to a strong, confident China that wields economic and**

political influence skillfully but with limits, self-imposed or not. Tensions persist – over Taiwan, trade imbalances, and technological competition – but do not erupt into full-scale conflict. This more likely **scenario feels like a continuation of the current status quo**, with China firmly in the top tier but not unchallenged. However, it rests more on a balance of forces rather than on the international rules prevailing.

3. THE END OF CHINA'S ECONOMIC AND TECHNOLOGY MIRACLE

In this more pessimistic scenario for Beijing, **global partners impose coordinated restraints on Chinese technology acquisitions, trade surpluses, and market access.** Emerging economies also protect their industries, limiting China's external growth. On top of this, domestic hurdles – aging, debt, low consumption, and suppressed entrepreneurship – stunt China's momentum, while attempts at self-sufficiency prove costly and incomplete. As a result, **China remains a large, important economy but experiences a relative decline in competitiveness and innovation** while struggling to recast its growth model in the face of lagging domestic demand. It avoids a major financial crash, but the country faces prolonged deflation and tepid growth. Internationally, diversification away from China succeeds, mitigating Beijing's leverage. From a security point of view, it pushes Xi Jinping to avoid any major risky conflict, recognizing that military adventurism would worsen China's situation. This plausible scenario depicts a peaking China that is contained, perhaps hastening a reconsideration of policies at home in light of an international response that is more united than expected.

4. THE RETURN OF REGIME AND SYSTEMIC QUESTIONS

This **"worst case" scenario envisions significant missteps by China's leadership.** A botched attempt to seize Taiwan, severe internal factional struggles

around an unplanned succession, or a deep economic crisis could unravel Xi's carefully crafted order. In turn, the CCP's legitimacy falters, and internal instability grows. In addition, the combination of nationalist propaganda and external pushback feed off each other, leading to political upheaval and regime uncertainty or enabling a march into war. **While highly unlikely under current conditions, this radical scenario cannot be fully dismissed.** Historically, cycles of strong-man rule in China have ended in turmoil. With overreach abroad and at home and abroad, cracks within the elite could also re-emerge, and long-suppressed demands for change might explode.

China's trajectory toward 2035 involves an interplay between domestic factors – demographics, energy

paths, authoritarian politics, path dependency on certain economic strategies – and external responses from a fragmenting global community. While Xi's China has shattered the old assumptions of a smooth reformist path, the range of outcomes varies widely, and the odds of China's success or failure further rely on these international responses and actions. **The future could therefore bring four scenarios: sustained authoritarian stability and global economic influence; a more balanced competition with resilient democracies; stagnation and cautious retreat; or a regime crisis after a failed external conflict.** How decisively international players coordinate their strategies will largely shape which of these scenarios unfolds, as China's leaders have fewer reasons for change internally. By 2035, China's fate as a stable superpower, a strategic peer, an overextended giant, or a weakened regime will, in any case, profoundly affect the global order.