
**CHINA:
DOMESTIC AND FOREIGN POLICIES**

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“CHINESE COASTER”

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Abstract. In Ukraine, China continues to adhere to the policy of “neutrality benevolent towards Russia”, remaining “above the fray” and at the same time looking for its place in the conflict as a “mediator” that does not condemn Russia, but does not recognize the transfer of part of Ukrainian territories to Russia. However, in Chinese society and the expert community controlled by the Communist Party of China (CPC), the attitude towards the Ukrainian crisis is changing. If at the initial stage of Russia’s Special Military Operation (SMO) in Ukraine, pro-Russian sentiments prevailed in the context of the Taiwan problem: “Russia is doing well!”, “And we need it!” Today, the angle is different: “neither for Russia, nor against”, with the addition that “the situation in Ukraine interferes with the normalization of China’s relations with the West and, above all, with the EU”. At the same time, Beijing is still interested in Russia as the main factor of “pressure on the United States” in the Sino-American confrontation. China’s two-tiered approach to Ukraine and Russia was manifested in Beijing’s reaction to the “Wagner” PMC mutiny. The official authorities limited themselves to a short statement by the Chinese Foreign Ministry: “what happened is an internal affair of Russia”. At the same time, the situation around “Wagner” caused active discussions in Chinese social networks. Their main topics were the following: how stable the situation inside Russia is, how what happened can affect Sino-Russian relations, and the development of the SMO in Ukraine. In the past three months, Beijing has stepped up its foreign policy. High-level contacts were organized with the U.S. and the EU, conciliatory proposals were made to Japan and South Korea. However, this has not yet led to an improvement in relations, although, according to Beijing’s expectations, it may lay the foundations for normalization in the future. In other areas, progress was achieved where the PRC directed its financial resources – Latin America, Africa, Central Asia, Pakistan, Afghanistan, etc. Relations deteriorated with those countries which improved their ties with the United States – India and the Philippines. Despite some personnel changes the internal political situation remains stable. Xi Jinping’s promotion as China’s “chief ideologue” in the “new era” continues. Without exception, all CPC members study Xi’s writings on “socialism with Chinese characteristics in a new era” every day. At the end of June, Xi talked at a group study of the Party’s Central Committee members about “sinified Marxism”, the importance of combining “Marxism and Chinese civilization”. China’s main problems are in the area of the economy. According to foreign experts, China’s GDP growth rate is too low. Chinese analysts, on the contrary, believe that economic growth rates turned out to be moderately high compared to a low base in 2022. The PRC is starting to react more aggressively to U.S. sanctions. A set of laws has been formed that impose restrictions on foreign companies within China. At the same time, there is a belief in the country that foreign businesses interested in the Chinese market will themselves bypass U.S. restrictions.

Keywords: Chinese foreign and domestic policy, Chinese economy, China’s relations with the U.S., EU and Russia.

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“КИТАЙСКИЕ ГОРКИ”

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Аннотация. В статье рассматриваются важные, по мнению авторов, события, произошедшие в китайской внутренней и внешней политике, а также экономике в первой половине 2023 г. Самыми значимыми из них стали нюансы в нейтрально-благожелательной позиции Пекина по отношению к Москве на фоне Специальной военной операции (СВО) РФ на Украине, поиски возможностей улучшения отношений с США при условии отсутствия предпосылок к этому, попытки восстановить и расширить китайско-европейские отношения в пике китайско-американским, а также разнонаправленные тенденции в экономическом развитии Китая.

Ключевые слова: китайская внешняя и внутренняя политика, экономика, отношения Китая с США, ЕС и РФ.

INTRODUCTION

This study is a continuation of the authors' reflections on the current problems of China's development, set out in "Crisis-containing factors of the PRC's development" [1]. This paper focuses on events from the first half of the previous year.

The most significant nuances in the development of the PRC were observed in several key areas: the Chinese-Russian relations in the context of the situation in Ukraine, the Chinese-American relations in the context of the situation in Ukraine, Sino-American relations amid Beijing's intensified foreign policy diplomacy, the domestic political climate surrounding the consolidation of Xi Jinping's personal power, and the economic trends that are causing growing concern among the Chinese middle class about its social status.

CHINA-RUSSIA IN THE LIGHT OF UKRAINE

China's official stance on Ukraine remains unchanged. It neither condemns Russia nor supports the Special Military Operation, advocating instead for peace and diplomatic solutions while emphasizing respect for sovereignty and territorial integrity.

As part of its balanced approach, Beijing is enhancing its role as a mediator. In May, Deputy Minister Li Hui, Beijing's special envoy for Eurasia and former ambassador to Moscow, visited Ukraine, Poland, Germany, France, and Russia to promote the 12-point 'China's Position on the Political Settlement of the Ukraine Crisis' [source 1].

During his tour, Li Hui persistently emphasized that the conflict in Ukraine stemmed from

severe security contradictions between the parties. According to Chinese diplomacy, the conflict could have been avoided. The primary goal now, he asserted, is to prevent further escalation, urging against the excessive supply of Western weapons to Ukraine, which he argued could provoke Russia into using tactical nuclear weapons – a scenario Beijing considers unacceptable. Discussing prospects for resolving the conflict, the Chinese diplomat called on all parties to 'start with themselves.' He did not specify details, suggesting a need for both Russian and Ukrainian-Western positions to be adjusted to facilitate a compromise [2].

Chinese diplomatic efforts were unsuccessful. Beijing deliberately avoids the issue of the incompatibility of Ukrainian (withdrawal of Russian troops) and Russian (recognition of current military-political realities) approaches to the situation. However, reflecting its policy of remaining "above the fray" and its new focus on mediation (inspired by its success in facilitating the restoration of diplomatic relations between Saudi Arabia and Iran in early 2023), China prioritizes demonstrating its commitment to peace, mediation, and neutrality.

A refined version of China's official position on Ukraine is as follows: do not condemn Russia; do not support it; emphasize its mediation mission in every possible way. This stance is part of the response to the growing pressure from the West on Beijing, which includes demands for a pro-Western position that condemns the SMO.

Another component of China's strategy is partial concessions: several large Chinese corporations are reducing cooperation with Russia to avoid secondary sanctions [source 2]. Addi-

tionally, China is stepping up its humanitarian aid to Ukraine via international organizations [source 3]. Li Hui has conveyed Beijing’s assurances that it will not forsake Ukraine.

Furthermore, there is a clear effort to delineate China’s relations with Europe from those with the United States. In May, the then-Foreign Minister Qin Gang, in discussions with European diplomats, consistently advocated for a collaborative relationship between China and the EU. He emphasized the need for joint efforts to address security risks, promote globalization, coordinate economic policies, and tackle political concerns transparently [source 4].

The emerging shift in European strategy, from ‘decoupling’ – a complete severance of ties with China – to ‘derisking’ – reducing the risks associated with both cutting ties and excessive dependence on China – can be seen in a positive light. Amidst this shift, Beijing seems to be persuading the EU that rather than condemning the SMO, a focus on mediation is crucial for security in Europe and the development of China-EU relations.

Beijing considers its relations with Washington within a broader strategic framework, encompassing global competition between China and the United States and regional issues such as the situation around Taiwan, rather than focusing solely on Ukraine. China appears to be countering the multi-tiered pressure from the United States – which includes demands to condemn the SMO – primarily by maintaining economic ties with Russia, and secondarily by enhancing Sino-Russian military cooperation. In May and June, this included a series of military exercises, such as joint air patrols in Northeast Asia [3]. At the end of June, a consultation on missile defense was held in Moscow between the foreign affairs and military departments, aimed at addressing the challenges posed by the development of American missile defense systems [source 5].

In Beijing, there’s a strong belief that Russia views China as its principal foreign policy ally in the conflict with the West. This perception from Moscow allows Beijing to make certain concessions to the West without jeopardizing its relationship with Russia. For instance, Beijing can withdraw its national companies from activities

that might trigger secondary sanctions, even if it affects ties with the Russian Federation. Additionally, Beijing can engage in foreign policy maneuvers, such as developing cooperation in the China–five Central Asian countries format without Russian involvement, actions that might cause concern for Russia.

It appears that there has been a shift in the perspective of Chinese experts regarding the Ukrainian situation in recent months. Initially, during the SMO, China’s intellectual elite, despite the official stance of ‘neutrality with a friendly tilt towards Russia,’ largely expressed pro-Russian sentiments, especially in the context of Taiwan, with exclamations such as ‘Russia is great!’ and ‘We need to act similarly!’ However, recent assessments from some Chinese political analysts suggest that the expert community’s view has evolved to a more neutral ‘neither for nor against Russia’ stance, acknowledging that the situation in Ukraine complicates the normalization of relations between China and the West. [4].

The recent joint conference in June hosted by the People’s University of China (ranked third nationally) and the Chinese Academy of Social Sciences (both operating under the auspices of the CPC Central Committee) [5] suggests a shift in the Chinese expert community’s perspective on Russia in the context of the SMO. The conference included preeminent Chinese experts on Russia, many with extensive connections to the country. The key points from the conference are summarized as follows:

- The conflict in Ukraine challenges the strategic “borderless friendship” that Beijing and Moscow have declared as the foundation of Chinese-Russian relations, highlighted by China’s non-recognition of the new territories’ entry into the Russian Federation;
- The United States tends to lump Russia and China together due to the Ukrainian conflict, potentially jeopardizing China’s broader interests and its foreign policy, which advocates for global development and engagement;
- China’s policy towards Russia should be guided by three principles: avoiding an alliance, avoiding conflict, and not posing a threat to the West;

- In its conflict with the West, Russia is perceived as leveraging China for its own benefit, causing China to incur losses as it is seen by Western nations as an accomplice to Russia;

- While the ongoing conflict in Ukraine strategically weakens Russia to China's potential benefit, not all analysts agree that this advantage offsets the disadvantages brought about by China's stance of benevolent neutrality, which has strained relations with the West;

- The conflict involving Russia and China has prompted the United States to bolster its alliances with friends in Asia – namely Japan, South Korea, India, Australia, and the Philippines. Consequently, the People's Republic of China (PRC) is advised to diversify its international support network and not limit its focus to Russia alone;

- While deepening military ties with Moscow, such as through military exercises, joint air patrols, and missile defense collaboration, benefits Beijing in countering U.S. military initiatives, it is cautioned not to escalate into military backing for Russia in Ukraine. This perspective is reinforced by Chinese analysts who warn that the West's growing tendency to hold China accountable for Russia's actions is negatively impacting its global image;

- It is important for Beijing not to take sides in Ukraine, interacting with Russia according to its own logic, while ensuring its relations with the US and the EU are not spoiled.

The main conclusion from the discussions among Chinese experts is that China must remain 'above the fray' and strengthen its position in the world, maintaining equidistance from both the Russian Federation and the United States. This approach also acknowledges that the situation in Ukraine represents a boundary for 'limitless cooperation' in Chinese-Russian relations.

Generally, it appears that in developing new approaches to Russia, Beijing, both semi-officially and unofficially through authoritative academics from research centers controlled by the CPC Central Committee, introduces 'warning ideas' at times when it is 'inconvenient' for the Chinese political leadership to do so officially. Nonetheless, China remains interested in Russia as a primary means of exerting pressure on the United States amidst Sino-American tensions.

China's two-tiered approach to Ukraine and the Russian Federation was exemplified by Beijing's response to the excesses committed by the Wagner PMC. The official authorities confined their reaction to a brief statement from the Chinese Foreign Ministry, declaring the incident an internal matter of Russia [6]. Meanwhile, this incident sparked heated discussions on Chinese social media about how it could affect Sino-Russian relations. The prevailing opinion seems to be that an isolated action by Wagner, or a single crisis of this nature, cannot significantly impact the current situation today [source 6].

FOREIGN POLICY

In the first half of 2023, China continued to intensify its foreign policy activities, with a particular focus on its relationship with the United States, which remains strained. According to several Chinese analysts, there are currently no signs of improvement in the near future [7]. Beijing's perception is that President Biden has been more detrimental to Sino-American relations than President Trump, under whom relations had already deteriorated. The situation was further exacerbated by an incident in January 2023, when a Chinese balloon was shot down over the United States, which added, as the popular saying in China goes, 'fuel to the fire.'

Despite these tensions, the Chinese leadership has been actively seeking ways to normalize relations with Washington, viewing the potential decoupling as a strategic threat to China's development. The visits to China by U.S. Secretary of State Blinken in June, Treasury Secretary Yellen, and John Kerry, the American President's representative on climate change, in July 2023, were aimed at improving this dynamic.

Xi personally received Blinken, and the latter's negotiations with Chinese diplomatic leaders lasted approximately seven hours. During these talks, both sides exchanged grievances and concerns, and expressed a commitment to resolving existing issues and expanding cooperation on global and regional security, counterterrorism, and other international challenges [8, source 7].

The primary tangible outcome acknowledged by both parties was the restoration of communica-

tion channels between the Chinese and American leadership. In July 2023, Wang Yi was reinstated as the Foreign Minister of the PRC, a position he had vacated in December 2022, likely in response to these new diplomatic endeavors. Discussions also included a potential meeting between Xi and Biden scheduled for November 2023, which subsequently took place on November 15, 2023, in California. President Biden hinted at a forthcoming thaw in bilateral relations. However, shortly thereafter, tensions flared again when Biden referred to Xi as a ‘dictator’ in the context of the balloon incident. [source 8].

Another step towards reconciliation occurred during the July 2023 visit to China by U.S. Treasury Secretary Yellen, who advocated not only for the development of bilateral economic cooperation but also for a joint response to global challenges, including those related to macroeconomics and finance.

The positions of Washington and Beijing have converged particularly in the area of the climate agenda, but in the military sphere, they remain starkly opposed. A concurrent retaliatory build-up of military activity around Taiwan by both the United States and China is leading to an escalation of their confrontation in Southeast Asia. Both states are “adding fuel to the fire” here. Despite the reopening of communication channels through Blinken’s visit, Beijing refuses to resume military contacts with the Americans, demanding the lifting of sanctions against Chinese senior military leaders. Washington, in turn, seeks to personally “punish” the military leadership of the PRC for its perceived pro-Russian stance on Ukraine.

Another reason for Beijing’s refusal to resume military dialogue with Washington is the fear that the United States will continue its military cooperation with Taiwan and further compromise Chinese interests. There is a new political situation on the island on the eve of the “presidential” elections in March 2024. A “third force” has emerged (in addition to the Kuomintang and the ruling Democratic Progressive Party today) – the Democratic People’s Party, which, according to recent polls, is leading the Kuomintang, though it primarily comprises young people from it [9].

The risk here is seen in the scenario where, due to “three-partyism,” the two opposition parties will split the vote, potentially enabling the incumbent “president” of Taiwan to win again despite a previous defeat in the spring provincial elections. Under these conditions, China’s strategy of “military intimidation” of Taiwanese voters (either war or the Kuomintang) is becoming increasingly relevant, with confrontation with the United States serving as a convincing pretext for influencing voters.

In general, despite the summer diplomatic activities, a breakthrough has yet to occur. Moreover, while Chinese Americans typically viewed the Democrats as a more favorable force for the PRC post-Trump, recent actions and statements by the United States have led the Democrats to be perceived as even more hostile than the Republicans.

In 2023, Beijing took steps to improve relations with other “unfriendly”¹ forces in Europe and East Asia. In June, concurrent with Blinken’s visit to Beijing, Chinese Prime Minister Li Qiang visited Germany and France. During these high-level contacts, China attempted to reshape its image in the EU and the United States from a threat to global democracy, taking a pro-Russian stance on Ukraine, and striving for economic dominance, to a more collaborative partner.

China was particularly offended by the theses of the first National Security Strategy in German history, adopted in June, which designated it as a systemic adversary, similar to the American strategy. Beijing viewed this as a regression to Cold War dynamics. [source 9, pp. 23-25].

China’s response to the European-American stance can be summarized as follows:

- Capitalizing on new trends in European diplomacy that seek greater independence from the United States;
- Supporting new European strategies of transitioning from “decoupling” to a softer approach of “derisking” in relation to the PRC;
- Against this backdrop, continuing efforts to restore and deepen economic ties, including coordinating economic and financial strategies be-

¹ It is given in quotation marks because this term is not used in China.

tween Beijing and Brussels, thus countering both decoupling and derisking with prospects of mutual economic benefits and a mutual global economic rise, subtly resisting American dominance.

It is the European direction that should become the main focus for Chinese diplomacy in dealing with ‘enemies,’ although there are significant restrictive challenges awaiting the PRC in the field of high-tech cooperation.

Beijing has started attempting to ‘decouple’ its relations with the United States and the EU in the military sphere, avoiding military contacts with the Americans while seeking to establish them with Europeans. At the end of June 2023, a Chinese military delegation visited the UK and France. These countries, being nuclear powers and among the most significant maritime forces in Europe, have recently heightened their strategic and economic interests in Asia-Pacific and Oceania. There was minimal media coverage about the discussions that took place. It is only known that global and regional security issues were discussed, along with talks on resuming military contacts.

Did these meetings mark an improvement in relationships? Possibly. However, they soon deteriorated again. At the NATO summit in Vilnius in July 2023, the alliance adopted individual programs for military cooperation with Japan, South Korea, Australia, and New Zealand. China viewed this decision as a hostile act aimed at creating an ‘Asian NATO.’

In the context of seeking ‘friendship’ with ‘enemies,’ two Chinese initiatives merit special attention. The first, an official initiative voiced in early July 2023 by Wang Yi, Xi’s chief advisor on international affairs, called for the resumption of trilateral (China – Japan – South Korea) strategic economic and other forms of cooperation, without any preconditions but with a clear anti-American stance urging Beijing not to allow third countries to interfere in Sino-Japanese and Sino-South Korean relations.

The second initiative is unofficial and involves exploring the possibility of China joining the so-called *CHIP-4*, an anti-Chinese format created by the Americans, which includes the world’s leading semiconductor manufacturers – the USA, Japan, South Korea, and Taiwan – aimed

at isolating China’s modern chip industry worldwide. The purpose of this latest initiative remains unclear to the members of the *CHIP-4* group but evidently reflects Beijing’s intent to seek avenues for reintegration into the Western world.

Another aspect of Chinese foreign policy worth noting is the PRC’s active efforts in May 2023 to join the *Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)*, known as *TPP-11*², led by Japan and including the UK as the new, 12th partner. Following China’s unaccepted application, the UK applied for membership at the end of 2022, which has now been approved. In response, Beijing has agreed to comply with the required changes to its customs and tax regulations, business practices, intellectual property protections, and labor rights.

Despite these conciliatory efforts in American, European, and East Asian directions, Beijing’s relations with these countries remain consistently poor.

In 2023, China’s relations with India deteriorated further. ‘Fuel to the fire’ was added first by the spring escalation of border confrontations, accompanied by military clashes during the so-called journalistic war, when the Chinese authorities, in response to New Delhi’s restrictive actions toward Chinese media representatives, began to severely restrict Indian journalists, even to the point of denying visas; second, by the visit of Indian Prime Minister Modi to Washington in June 2023. Beijing was particularly troubled by new plans for American-Indian cooperation in the military field, artificial intelligence, and the latest communication technologies, including fifth and sixth generations.

The next focus of Chinese diplomacy has been the strengthening and creation of new informal alliances. China continues to avoid rigid structures that would impose binding decisions on it. Its main target is likely Central Asia, but outside the framework of the Shanghai Cooperation Organization (SCO), where there has been a noticeable decline in Beijing’s involvement. Officially,

² This is a trade agreement between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. It emerged from the Trans-Pacific Partnership (TPP), which was never ratified due to the withdrawal of the United States.

it advocates for the development of the SCO, as Xi Jinping emphasized during the Organization’s July 2023 summit in New Delhi, presented in video format. He views the SCO primarily as a facilitator of the ‘Belt and Road’ initiative and the concept of the ‘Common Destiny of Humanity’ etc. [source 11].

However, at the expert level, there is some skepticism regarding the viability of the SCO. Some Chinese experts on Central Asia do not see many prospects in this organization, citing a couple of significant issues. The first problem is Russia’s conflict with Ukraine. The second issue involves India, which, as Beijing perceives, adopts anti-Chinese and pro-American stances capable of blocking China’s initiatives within the SCO, particularly regarding the creation of free trade zones [10]. At the last video session of the Organization’s Summit, Modi refused to support Beijing’s Belt and Road Initiative. He presented a contrasting vision of the SCO as primarily a platform for cooperation and integration, suggesting instead that the organization should focus on combating terrorism, specifically addressing terrorist threats emanating from Afghanistan.

In this context, the development of relations in the format of China + 5 Central Asian countries, elevated to the highest level at the 2023 Summit, is gradually becoming a working alternative to the SCO. In May, Beijing announced the allocation of approximately USD4 billion in aid to the five countries for their regional development.

An important addition to this direction involved Pakistan and Afghanistan, to which Beijing transferred USD60 billion in May for the development of railway infrastructure. This investment was explained as a move to stabilize the Central Asian region. Following these initiatives, in early July 2023, China opened a transport corridor through Kyrgyzstan to Afghanistan.

Beijing’s economic diplomacy has also focused heavily on Latin America and Africa. A significant political achievement was Honduras’s transition to the Chinese side, severing ties with Taipei and recognizing the PRC as the sole representative of China. This move reduced the number of countries recognizing the Republic of China (Taiwan) to 12 [11].

During the May diplomatic offensive in Latin America, the main initiatives included:

- Argentina: Adoption of a broad economic cooperation program titled “Five Steps,” which envisages a gradual transition from trade and Chinese investment to the use of the yuan and, ultimately, the signing of a free trade agreement;
- Brazil: Conclusion of 15 trade and economic agreements, including an agreement on the use of the yuan as the main currency for mutual settlements;
- El Salvador: Agreement on a free trade zone, simultaneous with the cancellation of its trade agreement with Taiwan;
- Ecuador: Agreement on free trade, use of the yuan, Chinese loans, and infrastructure investments;
- Nicaragua: Reduction of customs tariffs and movement toward the creation of a free trade zone.

On the African continent, China faced a financial offensive from the United States, which announced its readiness to allocate USD55 billion to Africa in the coming years. Beijing responded by installing repayment terms for loans by African countries, providing new investments in the mining of rare earth metals and elements, primarily lithium, as well as the high-tech sector. This takes into account the estimated future demand from consumers on the continent, 60% of whom are under the age of 25. China also extended special honors to the leaders of African states during their contacts with the Chinese leadership. In the last months of 2023, the PRC’s focus has been directed towards Eritrea, DR Congo, Zambia, Tanzania, Senegal, Morocco, Sierra Leone, South Africa, and others.

Relations with most ASEAN countries remained consistently normal. Regular escalations were observed only with Vietnam over its plans to begin oil development in the disputed areas of the South China Sea, and with the Philippines due to their decision to increase the number of American military bases on its territory from five to nine.

Improvements were noted in China’s relations with Myanmar, where it has begun modernizing military infrastructure in the Cocos Islands, close to Indian territorial waters; Thailand, which re-

ceived additional investment in transport infrastructure as part of the Belt and Road Initiative; and Cambodia, which saw new Chinese investment in naval infrastructure.

After the lifting of COVID restrictions, Beijing resumed exporting goods to North Korea. Additionally, an agreement was reached with Mongolia on Chinese financing of its green economy.

In Oceania, China faced significant resistance from the United States to its influence. With the exception of the Solomon Islands, which received financial injections from Beijing, the remaining island states have so far preferred to align with American policy.

INTERNAL POLICY

The internal political situation in China remains stable. Its main feature is the strengthening of Secretary General Xi Jinping's personal regime. In terms of personnel, Xi has become virtually "unsinkable": all members of the Politburo of the CPC Central Committee are "Xi's people"; this level of control was not seen even during the eras of Mao Zedong and Deng Xiaoping. Currently, the focus of internal party work is on promoting Xi's ideas as the chief ideologist of the "new era."

Without exception, all party members, including those from business sectors, bureaucratic structures, security agencies, diplomats, and journalists, are required to study Xi's works on "socialism with Chinese characteristics in the new era" at regular party meetings. Xi's latest speeches have focused on "sinicized" Marxism and the unification of Marxism with Chinese culture.

Conceptually, the emphasis is on combining a market economy based on private property with the CPC's monopoly on political power and ideology. A relatively new aspect is the search for the legitimacy of sinicized Marxism within Chinese culture, specifically through Confucianism and its philosophy of paternalism: "the ruler takes care of his subjects, subjects are loyal to the ruler."

At a collective training session for members of the CPC Central Committee in late June, Xi discussed the need for ideological innovation, drawing on the experience of Chinese civilization, and

emphasized the importance of merging Marxism with Chinese culture. [12].

Practically, the Chinese ideological apparatus has begun to purposefully contrast the "Chinese path of modernization," based on sinicized Marxism, with the traditional Western model. Xi highlights that unlike the United States, China does not impose its development model on others. He advocates for the unity of all civilizations and opposes Western dictates, suggesting that for now, Chinese ideology is defensively natured as encapsulated in the "three don'ts": do not interfere with us, do not meddle in our affairs, do not impose your path of development on us. However, promoting the idea that the Western model of modernization is inferior could be seen as a precursor to a more active external ideological expansion of China in the future.

Currently, there is virtually no open dissatisfaction with the growth of Xi's authoritarianism within or outside the CPC. Some changes are observed in people's attitudes towards the Secretary-General, shifting from "we are for Xi" to "we are neither for nor against" or "we don't care." However, such attitudes are not yet critical for maintaining internal political stability in China.

In addition to ideology, the Chinese leadership is taking political and organizational steps to strengthen the CPC's control over public life. At the beginning of July, a special Department for working with the non-state sector was established in the CPC Central Committee. Its task is to identify early-stage negative societal trends that could lead to destabilization.

An important domestic political event in June, which also has international significance, was the introduction of amendments to the so-called anti-espionage law. The amendments clarify the definitions of "espionage," "state secrets," "espionage activities," etc. They strengthen the legal framework for suppressing espionage, replace vague previous concepts, close "loopholes" that allowed for legal arbitrariness, and thus aim to improve the general legal, business, and investment climate in China [source 12].

However, Beijing's "enemies" criticize the amendments, noting that they tighten the definition of state secrets and create new risks for for-

eign businesses, especially audit firms that work closely with Chinese state corporations. Critics also point out additional concerns with the PRC’s attempts to extend jurisdiction beyond its territory, specifically referring to provisions in the law that support the fight against Chinese criminals hiding abroad. This includes the global “fox hunt” operation conducted by Chinese law enforcement to track down major corrupt officials and, in the Chinese view, traitors.

In response to criticism, Beijing has reiterated its interest and readiness for broader cooperation with foreign capital to promote economic growth, while safeguarding its own security interests.

ECONOMY

China’s primary issues today are economic. Despite improvements in the first quarter of 2023 following the lifting of COVID restrictions, there continues to be social and consumer tension due to expected decreases in personal incomes or their unusually slow growth. In foreign policy terms, the deteriorating economic situation in 2023 will likely lead to cuts in funding for strategic Chinese projects, including spending on the Belt and Road Initiative.

The official data on GDP growth in the first half of 2023 is quite contradictory. In the second quarter of 2023, GDP growth was 6.3% compared to the second quarter of 2022, likely due to the low base effect of the COVID period. However, compared to the first quarter of 2023, the increase was only 0.8%. Overall, in the first half of 2023, GDP grew by 5.5%, as targeted, but in 16 out of 31 provinces, this figure did not reach the 5.5% mark [13]. Private sector revenues for the first half of 2023 decreased by 22%. Over the same period, China’s exports fell by 3.2%, and imports by 6.7%; the greatest losses were observed in the American and European markets. At the same time, trade turnover with the Belt and Road countries increased by 10%, and with Southeast Asian countries by 1.5%. Notably, car exports increased by 75.7%, largely due to an increase in supplies to Russia. In a pattern of down – up – and down again, semiconductor production fell by 3% in the first half of 2023 but increased by 5.7% in June. It indeed resembles a roller coaster.

The authorities’ reaction has been an attempt to stabilize this volatile situation. On June 16, 2023, a meeting of the State Council was held under the chairmanship of the new Prime Minister, Li Qiang, during which measures were discussed to mitigate the complications of the external political and economic environment [14]. The meeting participants acknowledged that the external environment had become more challenging, affecting the pace of recovery of the Chinese economy. To provide additional momentum to China’s economic growth under the current conditions, there is a need to focus on expanding effective demand, strengthening and optimizing the real economy, and preventing and eliminating risks in key areas. Consequently, another stimulus package of 1 trillion yuan was launched through the expansion of special securities issuance, the proceeds of which will be used for infrastructure projects [15].

Following the goals set at the State Council meeting, the People’s Bank of China (PBOC, the Central Bank) reduced the key interest rate related to the medium-term lending facility by 10 basis point – from 2.75% to 2.65% – on June 15, 2023. According to PBOC management, this should inject an additional 237 billion yuan into the Chinese financial system [source 13; 16].

A week before, the “political banks” of the PRC (Industrial and Commercial Bank, Construction Bank, Agricultural Bank, and Bank of China), which execute the state’s investment policy, reduced rates on demand deposits by 5 basis points, and on three- and five-year deposits by 15 basis points. They believe this should lower the cost of borrowing [17].

On June 19, the PBOC also reduced the annual base rate from 3.65% to 3.55%, and the five-year rate from 4.3% to 4.2%. This was done in an effort to decrease borrowing costs for companies and individuals and to boost consumption [18].

To alleviate the discontent of the private sector, which accounts for 60% of China’s GDP, 70% of innovation, and 80% of urban employment, in July 2023, the Chinese government adopted a “31-Point Plan” to support the private sector institutionally and financially, including the removal of bureaucratic restrictions [19].

Beijing sees a large middle class as one of the main factors in the attractiveness and prospects of the Chinese economy. The General Statistical Bureau of China defines this group broadly: in 2022, it included families of three earning between 100,000 to 500,000 yuan per year. Based on these criteria, approximately 400 million people (almost 30% of the population), or about 140 million households, can be classified as the Chinese middle class as of mid-2023. According to expert forecasts, from 2022 to 2030, the size of the Chinese middle class may increase by about 80 million people – up to 40% of the total population of China [20].

At the same time, the consumer habits of the Chinese middle class are becoming similar to those of their counterparts in other countries. For example, until 2021, sales of passenger cars in China had been growing consistently for 20 years. In 2020, total sales amounted to 20 million cars – more than the US, Germany, and Japan combined. In 2019, the Chinese made 155 million tourist and business trips abroad, spending more than USD255 billion. The middle class in China has also begun consuming more meat; by the end of 2023, the profit of the meat industry is expected to reach almost USD90 billion, with meat sales projected to increase by an average of 20% per year until 2030 [21].

According to the hopes of Chinese strategists, the growth of middle-class consumption and changes in its structure, in line with global experience and trends, should become the basis for national economic sustainability in the short to medium term.

CONCLUSIONS

Returning to the beginning of the paper, one can say that 2023 gives reason to discuss some adjustments in the combination of “crisis-containing factors” in China’s development. The primary concern in the “risk zone” is the economy, with threats of slowing growth and negative consequences for the expectations of the middle class and the foreign economic expansion of the PRC, which is heavily reliant on Chinese investment. Relations with the West have remained stagnant at a low level, with no significant improvements or deteriorations in the first half of the year. The continued consolidation of Xi Jinping’s regime of personal power has not led to an increase in societal discontent; rather, it has given rise to a phenomenon of apathy.

As time passes – however trivial it may sound – the world is likely awaiting new interesting events that will provide “food for thought” and clarify the understanding of modern China.

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