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**CHINA:  
DOMESTIC AND FOREIGN POLICIES**

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**“CHINESE COASTER” – 2: AT THE TURN OF 2023–2024**

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**Abstract.** The most important event in the China–U.S. relations at the end of 2023 was the meeting of Xi Jinping and J. Biden in San Francisco on the sidelines of the APEC Summit in November 2023. The meeting did not become a breakthrough in relations between the two countries, but it created the foundations for establishing cooperation in mutually beneficial areas. Agreements were reached on the restoration of military contacts, the resumption of activities of working groups on economic and financial cooperation, the development of cooperation in the fields of artificial intelligence, green economy, climate change, etc. At the same time, many economic and political issues remained unresolved: American trade and economic sanctions against China, and, most importantly, disagreements over Taiwan. Against the background of the China–U.S. Summit, Beijing policy has strengthened its two-vector nature. Before the Summit in the United States, a Sino-Russian Summit was held in Beijing in October 2023. Later, in December 2023, the China–EU Summit took place. Their results are contradictory. Xi described Sino-Russian relations as “healthy and stable”. The Summit with the EU ended almost to no avail. An important foreign policy move made by Beijing was the Belt and Road Summit of October 2023, at which Chinese plans to institutionalize this strategy were announced, including the creation of the Belt and Road secretariat and “other institutions”, supported with 100 bln U.S. dollars injections. In domestic politics, Xi’s authoritarianism continued to strengthen, accompanied by restrictions on the freedom of speech. In the economy, China kept the GDP growth rate for 2023 in the desired range from 5 to 5.5%. The main task for Beijing in the field of economics for 2024 is at least to keep the growth rate of the national GDP at about 5%.

**Keywords:** China, foreign policy, domestic policy, economy.

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**“КИТАЙСКИЕ ГОРКИ” – 2: НА РУБЕЖЕ 2023-2024 ГГ.**

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**Аннотация.** В статье рассматриваются важные, на взгляд авторов, события, произошедшие во внутри- и внешнеполитической, а также экономической сферах КНР. Отмечается их противоречивый характер, высоковероятно свидетельствующий о продолжающемся поиске китайским руководством точки баланса в быстроменяющейся геополитической обстановке.

**Ключевые слова:** КНР, внешняя политика, внутренняя политика, экономика.

## INTRODUCTION

China has made a historic leap toward becoming a global leader, and the challenges it faces today in foreign, domestic, and economic policy are growing increasingly complex. The shift from quantity to quality in goal-setting necessitates a similar shift in decision-making and implementation. As tasks become more intricate, the risk of failure rises, and course corrections become more frequent. Thus, it is essential not only to “celebrate successes” but also to understand what isn’t working and why. In light of these considerations, the authors, continuing their previous work “Chinese Roller Coaster”, published in Issue No. 1 of *World Economy and International Relations* for 2024 [1], examine key aspects of China’s development that appear particularly relevant in late 2023 and early 2024.

## CHINESE-AMERICAN RELATIONS

In the run-up to the US-China summit held in November 2023, both the Chinese and American sides made statements and took appropriate steps in terms of both establishing cooperation and confirming the immutability of their “principled” positions on issues related to disagreements.

In October 2023, the political dialogue between Chinese and American diplomats was resumed within the framework of the “half-track”. Chinese Foreign Minister Wang Yi paid a visit to the United States; the first meeting of the economic working group at the level of deputy finance ministers took place, where the parties discussed not only bilateral relations but also macroeconomic cooperation on global challenges. In early November, a major import-export fair was organized in Shanghai, where the Americans sent the most representative delegation of all participants.

On the eve of the summit, the overall impression was that Beijing intended to focus on financial and economic cooperation, on joint work on climate challenges, regional conflicts, terrorism, etc. The issue of China’s relations with Russia in light of the Ukrainian events remained the most unpleasant for the Chinese leadership – Beijing tried to avoid the issue, as well as the question of its attitude toward the Special Military Operation (SMO) of the Russian Federation in Ukraine.

At the same time, Beijing made it clear to Washington that it would not make any fundamental concessions, especially on Taiwan which remains a very serious challenge for China. Moreover, only a small number of Chinese are prepared to accept Taiwan’s independence.

On its part, the United States took several tough steps toward China on the eve of the summit. In October, the American military leadership announced the expansion of American-Indian military cooperation aimed at containing Beijing’s activity in disputed territories in the Himalayan region. In the same month, the US Department of Defense published an alarmist report on China’s intentions to increase the number of nuclear warheads to 1,000 units by 2030 [2]. According to the American side, “China’s military assistance to Russia in Ukraine” and “military cooperation with Russia” are important for Beijing to become a global military superpower.

At the same time, the US once again emphasized the importance of the Indo-Pacific Economic Framework<sup>1</sup> as a tool to counter Chinese influence in the Indo-Pacific region.

In the run-up to the summit, the basic positions of the states were defined. From China’s point of view, the parties were supposed to stop friction and jointly lead global peacekeeping efforts. Thus, on the eve of the summit, Vice Premier of the PRC Han Zheng made a statement that China was ready to work with the US at all levels [3]. At the same time, as noted above, it is not ready to make concessions on Taiwan and on other issues related to its domestic policy – Xinjiang, Hong Kong, human rights, democracy, etc., and also opposes American sanctions against Chinese companies.

From Washington’s point of view, the basic contradictions between the United States and China in ideology, political structure, and the military-political sphere remain, but it is ready to seek options for interaction in bilateral relations and the international agenda.

At the summit itself, China first of all outlined its strategic goal in relations with the United

<sup>1</sup> The Indo-Pacific Economic Framework for Prosperity is an economic initiative launched by U.S. President Joseph Biden on May 23, 2022.

States: to strengthen trust, eliminate differences, and develop cooperation [4].

The results of the summit, as it seems, had emotional-demonstrative and pragmatic components. The emotional component includes negative and speculative aspects:

- US President Joseph Biden called Chinese President Xi Jinping a dictator at a press conference;
- US Secretary of State Anthony Blinken did not hide his dissatisfaction with this statement in front of television cameras;
- reaction of the Chinese Foreign Ministry, which followed immediately;
- likelihood that the incident could cross out the results of the summit;
- indignation of anti-Chinese media that American businessmen paid 2,000 USD to participate in a working lunch with Xi Jinping.

The following can be attributed to the political-demonstrative positivity:

- Biden demonstratively walked Xi to the car, emphasizing the “friendliness” of his personal relations with the Chinese leader;
- Biden explained the word “dictator” he used: “Xi is a guy who runs a communist country (communism is a dictatorship in the American sense. — V.M., S.L.) which has a different political system than the United States” [5]. Thus, without offending Xi personally, he emphasized the incompatible nature of American and Chinese basic values and addressed his words to that part of the American electorate that is hostile to China;
- Chinese propaganda on the eve of and during the summit reduced the pressure on the United States on the topics of American hegemony and imposition of its ideological values and political system on other countries;
- Xi especially emphasized in his speech that relations between China and the United States are the most important relations for the entire world [source 1], thus outlining China’s foreign policy priorities to the American audience.

The pragmatic component of the summit can be reduced to the conclusion that on the eve of

the event, China and the United States had certain expectations which were partly realized:

- military contacts were restored in case of emergency situations;
- economic and financial dialogues were resumed before the summit through the contact groups of the two states;
- parties agreed to work together to ban the use of AI in military drones and nuclear reactors;
- a decision was made to resume the Agreement on Science and Technology which provides for the development of Chinese-American scientific contacts, including the implementation of joint projects. In confirmation of the prospects in this area, in January 2024 it was announced that Chinese and American scientists had jointly created a graphene-based semiconductor recognized as a breakthrough in the production of semiconductors [6];
- regarding the remaining disagreements, the parties agreed on the principle of overcoming them in the wording “agree to disagree” [7];
- during the summit, Xi emphasized that he sees Chinese-American relations as the foundation of the future world. He advocated the priority development of bilateral relations in both traditional (economy and agriculture) and new (climate change, artificial intelligence) industries. Biden emphasized cooperation in the fight against drug trafficking, in the legal sphere, and in the development of AI, science, and technology.

At the same time, a number of issues remained in the zone of tension. In politics, this is Chinese-Russian military-political and economic cooperation against the backdrop of the SMO in Ukraine, which, in the US understanding, hinders the deepening of Chinese-American relations, and Beijing’s “aggressive” military and political behavior in the South China Sea in matters of territorial disputes, according to Washington. However, the main issue is the differences on Taiwan, which have become even more acute against the backdrop of the results of the “presidential” elections on the island on January 13, 2024.

In the economy, these issues are American sanctions against Chinese companies, bans on

bilateral high-tech cooperation, breaks in supply chains for goods, etc. US investors also have concerns about China in terms of both freedom of doing business and whether the Chinese economy is still attractive or already reached the fading point.

The overall result of the summit, in our opinion, is as follows: this is not yet a breakthrough in relations, but the very fact of the summit can be considered a signal for a possible improvement in relations in the future.

### TAIWAN PROBLEM

At the same time, the Taiwan issue in 2024 may change the outcome of the summit for the worse. The victory of Lai Ching-te, a representative of the ruling Democratic Progressive Party (DPP), in the “presidential” elections calls into question the feasibility of implementing the agreements reached at the summit, at least in the near future.

In our opinion, Beijing was disappointed with the results of the vote. Lai Ching-te, who is considered a “supporter of independence” in the Chinese mind, received 40% of the votes. Representative of the Kuomintang (KMT) Hou Yu-ih received 33.5%: Ko Wen-je, representative of the small Taiwan People’s Party (TPP) which is in solidarity with the KMT on issues of relations with Beijing, received 26.5% [source 2]. The latter, in the eyes of Beijing, are in favor of the status quo in China-Taiwan relations, for Taiwan’s interaction with mainland China and compliance with the 1992 Consensus, according to which both sides proceed from the “principle of one China” but each can understand this in its own way. This means that Beijing views the People’s Republic of China (PRC) as one unified China, with Taiwan considered one of its provinces. In turn, Taipei considers one unified China to be the Republic of China (the official name of Taiwan) which, according to the current Constitution, in addition to the island of Taiwan, includes all of mainland China, Mongolia, and the eastern part of Kazakhstan [source 3]. At the same time, the US, Russia, the EU, and practically the entire world proceed from Beijing’s interpretation of one China. Diplomatic relations with Taiwan (the Republic of China) are maintained by only 13 small states, the largest of which is Paraguay.

Moreover, neither the US, the EU, nor anyone else supports or can support Taiwan’s independence, since Taiwan itself, including the DPP and other political parties, does not raise the question of “independence” – for this, the island’s Constitution would first have to be changed. For now, however, it seems that neither the political elite nor Taiwanese society is ready for such a step, including the real fear of a military response from Beijing. Taipei is more interested in its right to act in foreign and defense policy without Beijing’s approval, thereby irritating Beijing.

By referring to the DPP and the “president” of Taiwan as “pro-independence”, Beijing presumably does not mean that they will now declare independence but that, first, they will gradually form an atmosphere in society that will eventually allow the issue of changing the Constitution to be raised. Second, they will begin to expand military cooperation with the United States – against China’s security interests. Third, they will violate the sovereignty of the PRC, one of whose provinces, according to the Beijing Constitution, is Taiwan, by allowing visits to the island by official representatives of Washington, Tokyo, the EU, and other states. Finally, they will continue to limit the ties of business and Taiwanese people with mainland China.

The Kuomintang and the TPP, on the contrary, formally advocate the development and expansion of contacts with mainland China in all areas, while strictly adhering to the aforementioned 1992 Consensus. Most likely, Beijing expected that both parties would be able to agree on nominating a single candidate for “president” based on rejection of the DPP’s anti-Beijing line, or, alternatively, that the candidate from the smaller party would withdraw their candidacy at the last moment, which could give the Kuomintang the votes it needs to win.

However, this did not happen – the TPP, despite its positions on China coinciding with the Kuomintang, diverges from the KMT on other issues. The TPP relies mainly on young and middle-aged Taiwanese intellectuals who consider the KMT a “corrupt and outdated party,” and hope to eventually take the place of the main opposition force.

Encouraging for Beijing and the Taiwanese opposition was the fact that, first, the victory went to the DPP (40%) with a much lower level of support than four years ago (57%), and, second, in the parallel elections to the Parliament (113 seats), the ruling party suffered a defeat, receiving only 51 mandates, while the Kuomintang now has 52 seats, and the TPP has 8 [8]. Such balance of power cannot but hinder the ruling party from pursuing its line of containing contacts with mainland China. Otherwise, maintaining the “rate of decline” of voter support could lead to a complete fiasco in the next presidential elections in 2028.

### FOREIGN POLICY

The Chinese-American summit intensified Beijing's “summit” diplomacy. At the end of 2024, its main vectors were, on the one hand, Russia as a balancer for Beijing's policy in the American direction, and on the other hand, China's main foreign policy rivals, like the United States itself, some of which are pursuing an unfriendly policy towards the Russian Federation: the EU, Vietnam (summits with China in November-December), Japan, and South Korea (diplomatic contacts in preparation for the China-South Korea summit and the trilateral Beijing-Tokyo-Seoul summit).

In its relations with Moscow, at the end of 2023, Beijing particularly emphasized military cooperation, including joint air patrols of the Northeast Asian areas adjacent to Japan and South Korea. At the same time, China continues to deny providing military assistance to Russia in the SMO, remaining in the position of neutrality, diplomatic mediator and peacemaker. Beijing also distances itself from accusations from the West that it allegedly seeks to create a Beijing-Moscow-Pyongyang military alliance, repeating its position on the priority of bilateral ties with Russia and North Korea.

Further, the visits to Beijing by President Vladimir Putin in October 2023 and Prime Minister Mikhail Mishustin in December of the same year are worth mentioning. The parties noted the important results of cooperation: growth of mutual trade turnover to a level exceeding 240 billion USD, an increase in the supply of Russian energy resources to China, a new agreement on the export of Russian grain in the amount of

25 billion USD, the transition of 90% of bilateral trade to national currencies, etc. In his New Year's address, Xi Jinping described relations with the Russian Federation as “maintaining healthy and stable development” [source 4].

At the same time, China continues to closely study the “lessons of the SMO”. In this area, its main ideas are as follows:

- in case of a critical deterioration in relations with the West, it is important to preserve the assets of Chinese companies and their production capacities in the PRC itself;
- it is necessary to build supply chains for raw materials and goods within the Chinese economy in advance;
- it is necessary to expand the investment presence and trade with non-Western countries.

Critics of such ideas point out that in the event of a war with the United States and a breakdown in relations with the West, such recommendations will give little benefit to China which would be better off avoiding a critical escalation of relations altogether. In their opinion, first, the PRC can only count on a small number of countries that are themselves in hostile relations with the United States. Second, relying only on the domestic economy runs counter to China's “dual circulation” strategy which implies the functioning and development of the export sector, as well as China's external investment expansion within the framework of the Belt and Road Initiative. Third, in case of a war with the United States, the Chinese economy will most likely switch to “war footing,” and its assessment and analysis in market categories will become impossible.

The December (2023) China-EU summit was in some ways similar to the China-US summit: the first meeting of the bilateral working group on the economy took place the day before. Progress was announced in discussing the macroeconomic situation, bilateral relations, and global changes. The parties outlined a common understanding of the need for rapprochement between China and the EU. At the same time, the latter, like the US, considers Beijing's position on Ukraine an obstacle to improving relations.

The EU promoted cooperation with China in the field of AI, climate change, and new tech-

nologies. China insisted on opening European markets to its high-tech products in areas such as communications and aviation (certification of the new narrow-body aircraft C-919 in Europe) and Chinese investment.

However, it seems that the summit did not produce any practical results. The European Union continued to accuse China of “unfair competition” in the European market and did not support Beijing’s political initiative to jointly resolve the problems of Ukraine and Gaza, taking into account the security requirements of all parties.

Continuing to view China’s Belt and Road Initiative as the main competitor to the European Global Gateway Initiative which envisages increasing European funding for infrastructure development in Africa and other countries of the Global South, the EU rejected Beijing’s proposal to combine the two strategies.

President Xi’s visit to Vietnam, on the contrary, had historic significance, both in terms of China demonstrating its intentions to seek options for normalizing relations with countries that have territorial claims against it – against the backdrop of worsening relations with another neighbor in the South China Sea, the Philippines – and in terms of the fact that the PRC leader is ready to visit those countries that are on the lower rungs of the foreign policy ladder.

A possible China-Japan-South Korea summit could hypothetically yield economic results significant for the countries and the Asia-Pacific region as a whole, and could if not resolve then at least mitigate the territorial confrontations between China and Japan, and South Korea and Japan. However, the prospects for such a meeting are still only being discussed by its potential participants.

The Belt and Road Initiative gained the most activity in terms of goal setting at the end of the year. In October, a major summit dedicated to the tenth anniversary of this project was held in Beijing. The practical results were:

- Beijing’s promise to allocate 107 billion USD over the next 5 years for the development of this initiative;
- a reorientation of the initiative from infrastructure projects to priority development of scientific and technical cooperation in order to be able to overcome American restrictions in this area;

tific and technical cooperation in order to be able to overcome American restrictions in this area;

- development of multilateral cooperation in space in the format of the Space Silk Road.

At the summit, Xi additionally proposed a new “8-point plan” for investment:

- creating a logistics corridor through Europe and Asia;
- creating an e-commerce Silk Road with a large number of free trade and investment agreements;
- allocating 47.8 billion USD in loans to Chinese development banks;
- supporting “green” development;
- financially supporting scientific development and AI technologies;
- promoting cultural exchanges and people-to-people contacts, including assistance to tourism alliances;
- ensuring cooperation in promoting “open development”;
- establishing a secretariat and other institutions to implement the Silk Road strategy [9].

By announcing plans to institutionalize the Belt and Road Initiative and backing it up with financial injections, China essentially took a fundamental strategic step toward transforming the idea of the Silk Road strategy into a global format with prospects (not yet specifically clear) for its development in the future into one or another version of a global organization under Beijing’s leadership.

Among other priority areas of Chinese diplomacy in the last quarter of 2023 were the Middle East and Southeast Asia.

China advocates a ceasefire in the Gaza Strip, negotiations and the rescue of the Palestinians, as well as the idea of two states of Israel and Palestine. It recognizes Israel’s right to self-defense, but it believes that it must respect the rights of civilians. Beijing is betting on its relations with Iran and Qatar and is trying to involve the so-called Global South in this.

However, it can be assumed that regional players do not yet view China as a major force,

although they recognize its certain influence on the countries of the region, in particular Iran.

In Southeast Asia, the focus of Chinese concern at the end of 2023 was the Philippines with which, as already noted, a military confrontation intensified around disputed islands, as well as Myanmar where a military conflict developed, interpreted by Beijing as a threat to its economic and strategic interests in the region.

China's response was active military diplomacy. In November 2023, it held large-scale anti-terrorist exercises with the participation of Vietnam, Laos, Cambodia, Thailand, and Malaysia, implying a response to the US-Philippine naval maneuvers under the leadership of the US, held around the same time. In the same month, China conducted military exercises with Myanmar to close the joint border amid the threat of rebels (waging a civil war with the central government) crossing it.

By intensifying military diplomacy, China demonstrated its leadership capabilities in multilateral military-political relations in the region. However, this did not improve relations with Manila or reduce the threat from Myanmar. Moreover, at the very end of 2023, the situation on the Chinese-Myanmar border worsened: the rebels managed to seize areas immediately adjacent to Chinese territory.

Another nuance of Beijing's Asian foreign policy was an attempt to improve relations with two more countries – the US “friend” Australia, which it views in its own interpretation as a “bridge” between China and the US, and the US “enemy” – North Korea. Beijing, however, continues to treat relations with the latter cautiously, confirming its commitment to the UN sanctions against Pyongyang in connection with its nuclear tests and, as noted above, continuing to distance itself from the idea of a trilateral military alliance with Russia and the DPRK.

## DOMESTIC POLICY

The main directions of the PRC domestic political development in 2023–2024 remained practically the same, only with certain new details added.

The first is the continuing strengthening of Xi Jinping's personal power and authority and

the party's control over the country's economic and social development. In the last quarter of the year, the ideas and works of Xi mandatory for all members of the CPC to study were dedicated to:

- consolidating the Chinese nation;
- motivating women to contribute to Chinese modernization;
- improving audit work as part of party control over society and the economy;
- improving party supervision of natural monopolies;
- sinicizing Christianity;
- strengthening party control over foreign affairs;
- developing “humanomics”<sup>2</sup> [source 5].

Xi actively used the celebration of the 130th anniversary of Mao Zedong's birth on December 26, 2023 for propaganda – the main ideas of Xi and the Chinese party during the celebrations were to glorify Mao and, against this background, Xi himself. Xi is the “number one leader”, on the same level as Mao; the name of Deng Xiaoping as the number two leader after Mao, before Xi, is practically not used today in Chinese propaganda, which emphasizes the following theses:

- like Mao, Xi is personally responsible for the development of reforms in China;
- Chinese modernization is different from Western one and is the “path to a new world”. Here one can see a nuance in the CPC's interpretation of Chinese modernization itself – until recently, the emphasis was on the fact that the PRC does not impose its “path of development” on other countries, unlike the West. Now, however, a careful approach is being made (although it is not a fact that it will become a turning point in the country's foreign propaganda in the near future) to the idea of globalizing the Chinese path of modernization. The restraining factor here is that Chinese modernization, as Beijing interprets it, is being carried out under the leadership

<sup>2</sup> A Chinese conceptual invention, based, however, on the old idea of directing economic development toward the needs of man (in the modern Chinese version the idea is presented as follows: in the context of creating new technologies, developing AI, the green economy, etc., it is necessary to put man himself and his needs at the forefront).

of the CPC and Xi personally. The globalization of Chinese modernization could be perceived as “globalization of the CPC”, which is unlikely to be attractive to the Global South;

- in the foreign policy aspect, Xi made a kind of “political promise” to implement Mao’s plans to reunite with Taiwan.

Besides, there is the Chinese leadership’s undiminished sense of threats to its power – first, the continuing fear of “color revolutions”; second, in Beijing’s perception, Western countries try to undermine China’s ideological and financial security, as well as security in general, using the latest technologies, including AI.

Probably, the CPC leadership views non-party youth as the main source of a possible “color revolution”. Its risks are increasing against the backdrop of growing unemployment and the closure of many small and medium-sized businesses as a result of COVID restrictions, which have not yet been compensated for.

It is no coincidence that when former Chinese Premier Li Keqiang, who had a good reputation as a professional among the Chinese intellectual elite, unexpectedly died at the end of October, the CPC leadership asked the heads of Chinese universities not to organize student memorial group events on the occasion of Li’s death, as the appeal said, in “this difficult period” [10].

Third, in response to domestic political threats, China’s leadership is tightening control over the information sphere, limiting freedom of speech; the country is tightening surveillance over the Internet and social networks.

Stricter measures were introduced in December 2023 against party members – they are forbidden, under threat of expulsion, to read “bad books”, behave immorally, etc. Previously, such restrictions concerned corruption and squandering public funds on celebrations and gambling. “Bad books” are works that denigrate and discredit the party, its leadership, the army, and the history of the CPC.

Against this background, the role of intra-party structures responsible for party discipline is growing, and it is quite natural to assume that among liberal-minded members of the CPC, a kind of nostalgia for the freer times of Hu Jintao is growing.

Fourth, a separate category of prohibitions was introduced at the end of the year on the publication of negative information by Chinese economists about the state of the country’s economy. PRC propaganda obliges experts to concentrate in their open works and speeches on the successes of socialism with Chinese characteristics in the new era, and not on the problems.

Fifth, purge in the army is ongoing. At the end of the year, nine more generals were dismissed, mainly from the forces that ensure the PRC’s nuclear missile potential; the true reasons for the purge were not reported. Corruption is usually named as the most common version, but another possibility is the generals demanded that the party take more decisive military action against Taiwan.

Finally, according to the Hong Kong press, the CPC is developing a concept of Xi Jinping’s natural removal from the real management of affairs. This is due to the fact that his closest associates are retiring due to age, and Xi is forced to rely not on leaders who are psychologically and personally close to him, but on the younger generation – in the Hong Kong interpretation, on “lieutenants” and not on the old “generals”. This is seen as a risk of “zones of misunderstanding” forming between the top leadership of the CPC and its closest circle. This is not about confrontation and conflict but about understanding and the degree of trust in the implementation of Xi’s instructions and the decisions of the party [11].

Overall, despite the challenges noted, the domestic political situation in China at the end of 2023 – beginning of 2024 remained stable but, according to the top leadership of the CPC, requiring demonstration of the party’s real or propaganda successes in the economy and foreign policy to the Chinese population. At the same time, an impression is formed that a gap is emerging in China between reality and its interpretation by the party machine.

## CHALLENGES FOR THE CHINESE ECONOMY IN 2024

The most acute problems for the Chinese economy in 2023–2024 were the general slowdown in growth, increasing unemployment



among young people, low rates of recovery in consumer demand, capital flight, and ongoing turbulence in the real estate market.

At the same time, by the end of 2023, China managed to maintain its GDP growth rate at 5.2%. According to preliminary IMF estimates, in 2024, China's GDP will grow by 4.6% [12]. According to the authors of the present article, it will remain at 5% due to a gradual improvement in the external background in certain geographic areas and an increase in household spending.

In general, the main negative factors for 2024 can be summarized as follows. The ongoing decline in consumer prices since about July 2023 may indicate weak final demand from Chinese households, the growth rate of which has not yet recovered to the level before the COVID-19 pandemic. This calls into question the possibility of launching a "new" model of economic development in China – "dual circulation" based on domestic consumption.

The same logic applies to the decline in industrial prices throughout most of 2023, which can theoretically be interpreted as a sign of weak investment demand from companies, indicating uncertainty among business circles about the favorable development of the Chinese economy in 2024.

If the decline in consumer and industrial prices continues, households and businesses are likely to postpone purchases or investments in anticipation of even more favorable conditions, thereby increasing the likelihood of triggering a deflationary cycle. The latter, in turn, may provoke a decrease in productivity, wages and an increase in unemployment and ultimately lead to a slowdown in the growth rate of China's GDP to a critical level at which it will be impossible to achieve the main strategic socio-economic development goals of the PRC:

- 2025 – completion of one stage of the country's scientific development (the *Made in China 2025* program);
- 2035 – in general terms, increasing GDP per capita to the level of medium-developed countries (*Long-Term Development Goals of the PRC 2035*);
- 2049 – China's transformation into a leading world power in terms of aggregate power in general and, in particular, increasing GDP per

capita to the level of developed countries (*Second Centenary Goal*).

The increase in the volume of bank deposits of individuals, which at the end of November 2023 amounted to a record 135 trillion yuan, can also be interpreted as a sign of weak demand for goods and services from the population [13].

The ongoing negative situation in the real estate market raises serious concerns – a simultaneous decline in prices a decrease in sales volumes, and, as a result, liquidity problems among developers. In the last months of 2023, the authorities began to gradually abandon restrictions aimed at combating the excessive debt burden on construction companies, and again switched to their selective support. The main state-owned banks were instructed to increase lending to large developers, despite previous bans.

Meanwhile, it can be assumed that banks may sabotage this policy, since they will not want to inflate the portfolio of "bad" loans with increased risks of non-repayment or late payments, as the obligation to report to the regulatory authorities is not removed from them.

Another serious problem is the withdrawal of foreign capital from China and the decrease in the volume of foreign direct investment (FDI) attracted to the country. According to Chinese data, the total amount of funds withdrawn from the Chinese economy in the first three quarters of 2023 is estimated at approximately 100 billion USD.

At first glance, the main reasons for such a situation may be the following: first, the problems of the Chinese economy itself, and second, the persistence (despite the encouraging progress) of tensions between the United States and China, which reduces the confidence of foreign companies in the prospects of the Chinese economy and, consequently, makes their investments more risky and less profitable. Therefore, non-residents are withdrawing part of their funds to other countries with more favorable conditions, in relation to which the United States did not impose trade and economic restrictions.

At the same time, one can assume a non-obvious but probably no less significant reason for capital flight – the careless actions of the Chinese

authorities themselves to strengthen the regulation of cross-border data transfer. In particular, since July 2023, the Anti-Espionage Law has been in effect in the PRC, according to which the receipt by international consulting and research companies of various information related to the social and economic spheres of the PRC may be recognized as espionage activity [14].

Back in March 2023, five employees of the Beijing office of the American consulting company *Mintz Group* which specializes in checking potential Chinese partners and conducting investigations within the country, as well as providing analytical support for proposed deals, were detained (however, it turned out that a high-ranking employee of *Mintz Group*, Randall Phillips, responsible for the Asian direction, previously “completely coincidentally” worked for the CIA [15]).

In April, an investigation was launched against the *Capvision* company – a network of experts who, as stated on the company’s website, can provide information on various sectors of the Chinese economy that is not posted in the public space. A story shown on Chinese state television channel *CCTV* stated that *Capvision* received orders from foreign companies to search for information related to state secrets. The cost of one standard order could reach approximately 10,000 USD [source 6].

In this situation, foreign investor companies or potential investors were effectively deprived of external expert support for their activities, as well as audit reports necessary for approving potential transactions, insuring them and obtaining financing. They preferred to stop investment projects in China and withdraw funds, which negatively affected the statistical indicators for FDI attracted to China.

Importantly, the Chinese authorities, although so far unofficially, are taking steps back both in the area of regulating cross-border data transfer and in the interpretation of potential espionage activities in relation to consulting and research companies. Evidently, the previous degree of freedom is not to be expected, but individual “excesses” will most likely be eliminated.

Foreign trade is also a concern. The decline in demand for the main product groups of the Chinese industry in the main markets for China – the US and the EU – after the pandemic statistical surge in the first to mid-second quarter of 2023, as well as due to the devaluation of the yuan against the dollar and deflation in China itself, led to a decrease in both the quantitative and value volume of exports from the country.

In mid-January 2024, the General Administration of Customs of the People’s Republic of China published separate final data on China’s foreign trade for the whole of 2023: its total volume amounted to 5.93 trillion USD, down 5% from 2022, exports fell by 4.6% to 3.38 trillion USD, and imports fell by 5.5% to 2.55 trillion USD.

\* \* \*

In 2024, China continues to confront two major interrelated challenges: economic slowdown (including as a result of the slow “reanimation” of external markets) and uncertainty in the US relationship dynamics: to what extent it will be possible to weaken the role of the negative factor – Taiwan (under the new “old” administration of the island) – in Beijing’s overall efforts to normalize relations with Washington.

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