Navigating China's Economic Challenges and Transformation: Policy Approaches to Overcome the Middle-Income Trap

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Abstract

This study focuses on the slowdown in China's economic growth and the risk of the country falling into the middle-income trap. It assesses the challenges confronting China in avoiding this trap and the potential for overcoming them. An aging population is a significant hurdle, requiring increased productivity to sustain growth amid a shrinking workforce. However, productivity growth has decelerated due to reliance on inexpensive labor. Inequality is another concern, as the wealth gap widens, potentially causing social instability and hampering consumption-driven growth. Chinese policy responses, such as the "common prosperity" and "Chinese path to modernization," aim to tackle these issues. Yet, the effectiveness of these policies remains uncertain. External factors such as the U.S.-China trade dispute and limited access to foreign technology pose additional challenges, potentially impeding innovation and progress up the value chain. The conclusion questions whether China can manage slower growth without social upheaval. This paper emphasizes the government's prioritization of economic security over private enterprise development, the potential adverse effects of high regulatory measures, and the impact of long-term real estate and technology industry regulations. It also addresses concerns about capital outflows, Renminbi depreciation, and reduced foreign investment due to China's challenging business environment and international tensions. Considering

these complex dynamics, the prospect of China overcoming the middle-income trap remains uncertain.

Keywords: Common Prosperity, Chinese Path to Modernization, Middle-Income Trap, U.S.-China Trade Dispute, New Normal

I. Introduction

The American economist Paul Krugman once reflected on the 1990s, a period when Japan's ascending economic prowess seized the world's attention, only to witness its subsequent decline. Amid the current spotlight on China as a global economic juggernaut, Krugman posits that China's economic path could be even more intricate than Japan's tumultuous journey. While China commands attention as an economic powerhouse, its trajectory appears poised for a notable downturn, drawing poignant parallels between its present circumstances and Japan's economic trials in the 1990s. Krugman expounds that Japan's economic regression was propelled by demographic hurdles — low fertility rates and limited immigration culminating in a dwindling workforce. In an eerily similar fashion, China grapples with analogous challenges as its population ages and the specter of youth unemployment looms.[1] The Chinese economic landscape grapples with additional strain stemming from an uneven situation. The aftermath of the Covid-19 pandemic has hindered a resurgence in demand, conspicuously manifested in the contraction of manufacturing and the stagnation of real estate activity.

Underpinning these concerns is the potential for China to ensnare itself in the dreaded "middle-income trap", a point at which rapid growth plateaus. The term "middle-income trap" refers to a situation where a country that has reached a certain level of income gets stuck and is unable to join the ranks of rich nations. Moreover, skepticism abounds concerning the capacity of China's authoritarian governance to effectively navigate such a deceleration without inciting social upheaval. Echoing this sentiment, numerous experts harbor reservations about China's endeavors to

1. Paul Krugman, "What Happened to Japan?" *The New York Times*, July 25, 2023, <https://www.nytimes.com/2023/07/25/opinion/japan-china-economy.html>.

resuscitate its economy, casting doubt on the viability of these efforts considering persistent demand challenges.

Several triggering factors have been identified in the literature that can contribute to a country falling into the middle-income trap. Some of these factors are summarized as follows: First, the inability to shift from low-productivity activity to high-productivity activity can lead to a slowdown in growth and result in a country getting stuck in the middle-income trap. To some extent, countries in the middle-income trap lose their competitiveness in exporting products due to rising wages and are unable to compete with low-cost production countries or enter high value-added markets and developed economies. The second relevant factor is "innovation." A lack of innovation can also contribute to a country falling into the middle-income trap. Countries that are unable to move up the value chain and produce higher value-added goods and services may find it difficult to sustain high levels of growth. The third factor has an institutional dimension: weak institutions, such as an ineffective legal system or corruption, can also hinder a country's ability to move up the income ladder and avoid the middle-income trap.

Since Xi Jinping's first term, bridging the middle-income trap has been one of China's core strategies. The "common prosperity policy" will encourage more low-income people to enter the ranks of middle-income groups through "lowering" and "expanding the middle," solidly forming an olive-shaped distribution structure with a large middle and small end, promoting consumption, expanding domestic demand, and build a stable and internally sustainable economy. A policy for "strong domestic economic circulation" aims to drive China to overcome the "middle-income trap" and enable all people to overcome the "middle-income trap" through high-quality development. However, since Xi's second term, the expanding Covid pandemic and intense Sino-U.S. conflict have made China's economic challenges more serious. The global geopolitical conflicts have had a negative impact on China's economic development. National security has taken the core of its policies. This has resulted in more serious economic challenges for China.

This study consists of six sections. In addition to Section 1, Section 2 describes the patterns of China's economic development toward the middle-income trap. Section

3 outlines China's economic challenges and its development. In Section 4, we point out Xi's strategies to overcome the middle-income trap, from "common prosperity" to "Chinese path to modernization" during his terms in office. In line with the change in China's bridging middle-income trap, Section 5 highlights China's economic policies with greater emphasis on national security. Finally, Section 6 presents the conclusions of this paper.

II. China's Economic Slowdown and the Middle-Income Trap

China's per capita GDP surpassed $10,000 in 2019 (see Figure 1). However, China now faces the challenge of the middle-income trap. Despite this, the continuous rise in production costs now hampers its export competitiveness. To secure a position among advanced nations, China must transition towards high value-added sectors. Yet, the current situation does not favor an escape from the middle-income trap due to post-pandemic setbacks and intensifying geopolitical factors that have led to global stagnation. This economic deceleration poses a risk to China's prospects of breaking free from the middle-income trap. The country's potential for long-term growth appears to be weakening, necessitating reform to fundamentally reshape its growth trajectory.

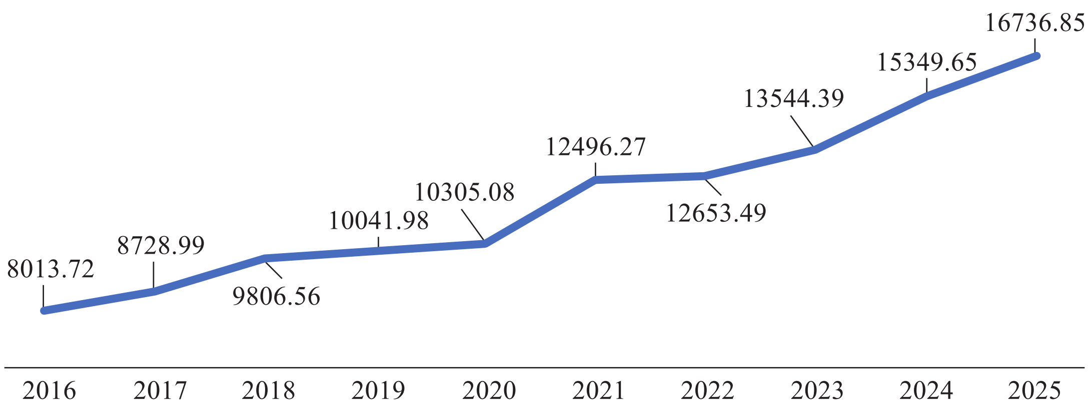


Figure 1. 2016-2025 China's Per Capita GDP Trend (Unit: US Dollar)

Source: S&P Global, "Comparative World Overview," August 15, 2023, accessed, *S&P Global Market Intelligence*, <https://www.spglobal.com/marketintelligence/en/mi/products/global-economic-forecasts-analysis-and-data-world-economic-service.html>.

However, the IMF's stance on China's long-term growth trajectory has taken a somber turn. Forecasts for the years 2024 to 2028 have been revised downward by more than a full percentage point, projecting a deceleration to a mere 3.4 percent by 2028. A visual comparison in Figure 2 underscores this shift, contrasting the most recent projections with those from just a year ago and even 2021. Essentially, China seems to have become ensnared in the contours of a classic middle-income trap.

At the end of 2022, China initiated a revival of its economy, persistently recovering from the post-pandemic losses in production, consumption, and investment. However, the momentum of growth was relatively sluggish and did not exhibit signs of a V-shaped turnaround. In terms of fixed asset investment, China's growth rate in the first half of the year increased by 3.8% year-on-year, even as there was a downward adjustment of the base. Regarding per capita disposable income, the average disposable income per resident across China was 19,672 RMB, with a nominal year-on-year growth of 6.5% and a real growth of 5.8% (see Figure 3).

As China's economy approaches the frontier of development, a natural consequence is a deceleration from the impressive 8-10 percent growth witnessed

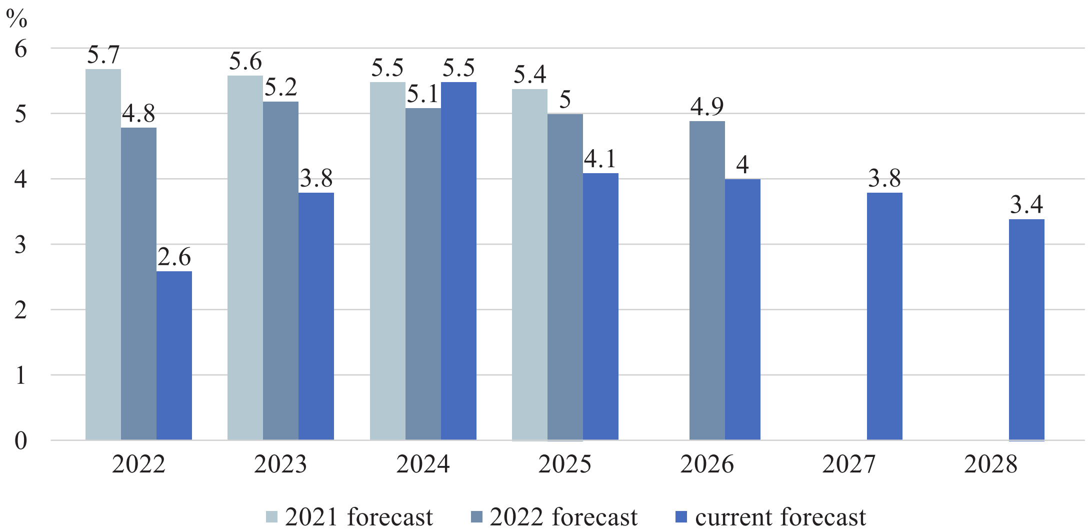


Figure 2. IMF Marked down China's Economic Forecasts for 2024-28

Source: International Monetary Fund, "IMF Staff Country Reports," August 18, 2023, accessed, *IMF elibrary*, <https://www.elibrary.imf.org/view/journals/002/002-overview.xml>.

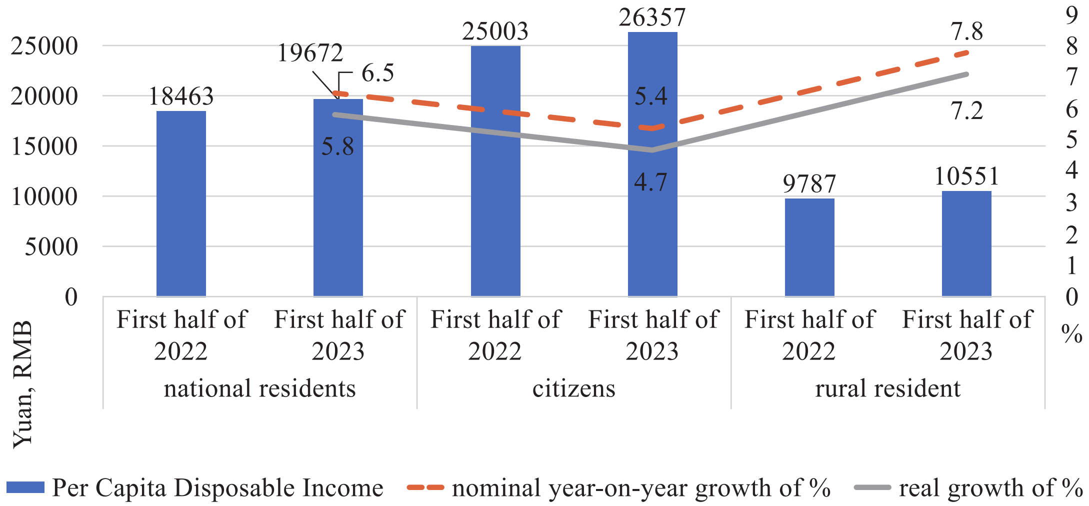


Figure 3. Trend in Per Capita Disposable Income in China

Source: National Bureau of Statistics of China, "Statistical Data," August 1, 2023, accessed, *National Bureau of Statistics of China*, <http://www.stats.gov.cn/english/>.

over the past few decades. This moderation was, in many ways, inevitable. Further compounding this reality is the rapid aging of China's population, foreshadowing a substantial slowdown in labor-force expansion in the years ahead. Already, there has been a discernible decline in productivity growth, as the low-hanging fruits from technology and skill investments have been largely harvested. Yet, China's scenario deviates in a distinctive manner. The additional strain on its growth narrative arises from the diminishing returns of investment-driven expansion. Excessive investment, propelled by record-high domestic savings, has flowed into less productive state-owned enterprises and industries like real estate, which offer limited long-term growth potential. This allocation has also contributed to further inflation of China's already substantial public capital stock. This strategic investment pattern has accelerated the erosion of aggregate productivity, thereby curbing China's potential growth trajectory.

China faces a complex array of economic development challenges. The aging population and the rapid waning of the demographic dividend have led to issues such as a shortage of labor force and heightened social security pressures, causing an "aging before becoming wealthy" dilemma. According to the United Nations' *World Population Prospects* report, the estimated annual growth rate for China between 2020 and 2030 is 1.74%, significantly lower than the 5.15% growth rate seen between

2010-2020. Moreover, according to data released by the National Bureau of Statistics on February 28, 2023, the total population in China at the end of 2022 decreased by 850,000 compared with the end of the previous year. China's population seems to be entering an irreversible process of contraction. Parts of China's policies aim to improve productivity and respond to the aging of the population, so as to cross the "middle-income trap."

III. Addressing Concurrent Economic Challenges

In bridging the middle-income trap, China is currently at a critical juncture, amidst a complex domestic and international economic environment. The global economic recovery is slow, and trade tensions create uncertainty that affects China's exports and imports.

1. China Faces the Challenge of Increasing Local Government Debt

Therefore, it is necessary to reduce risk, maintain fiscal stability, and minimize

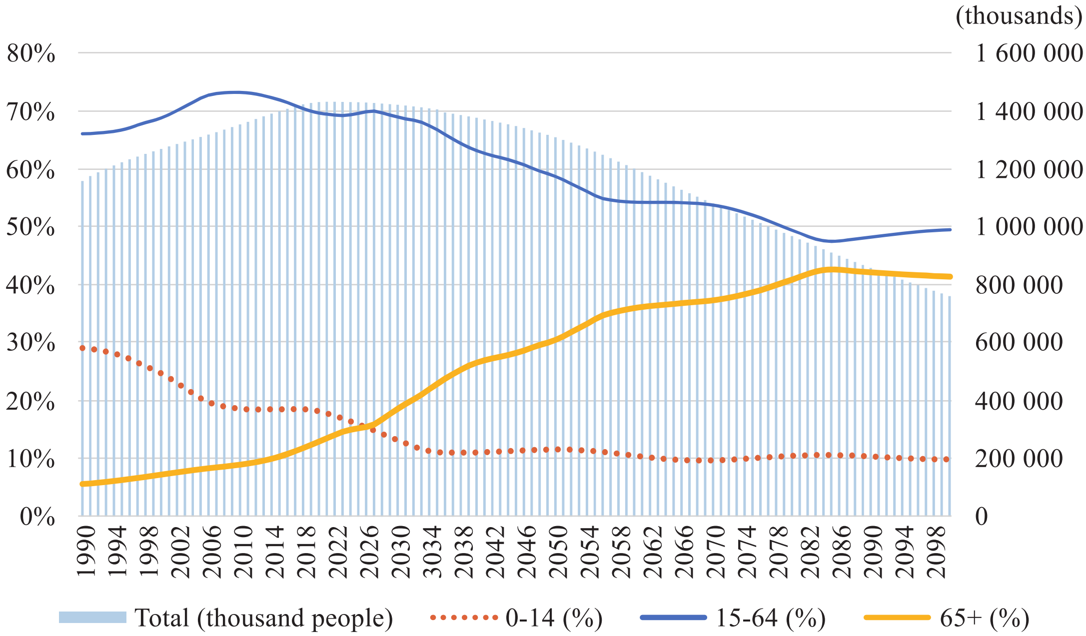


Figure 4. Population Aging in China (1960-2100)

Source: United Nations, "Population: Standard Projections (Estimates and Projection scenarios)," August 1, 2023, accessed, *United Nations*, <https://population.un.org/wpp/Download/Standard/Population/>.

excessive debt. A total of 35.1 trillion RMB of local government debt was estimated to be owed by the end of 2022, of which 14.4 trillion RMB is general debt and 20.7 trillion RMB is special debt. Since 2017, debt growth has outpaced GDP growth by 16.3% per year. Due to regulations against pandemic outbreaks, a sluggish real estate market, and a decrease in tax revenues, significant economic pressure remains intense.

Although the debt-to-GDP ratio remains manageable at 29.1% (see Figure 5), local debt is increasing. Refinancing is used to fund debt repayment, leading to rising interest expenses. In 2022, interest payments on local government bonds exceeded 1 trillion RMB, doubling since 2018. Despite stable issuance interest rates of around 3.5%, debt issuance has increased significantly following the pandemic.

In recent years, the maturity scale of local government bonds has continued to rise. In 2023, the maturity scale of local government bonds will be about 3.65 trillion yuan (see Figure 6), an annual growth rate of 31.5% — a record high. In terms of the peak period of debt repayment, 2023-2030 will usher in the peak of local debt repayment. Maturity profiles are extending, with debt exceeding 10 years increasing

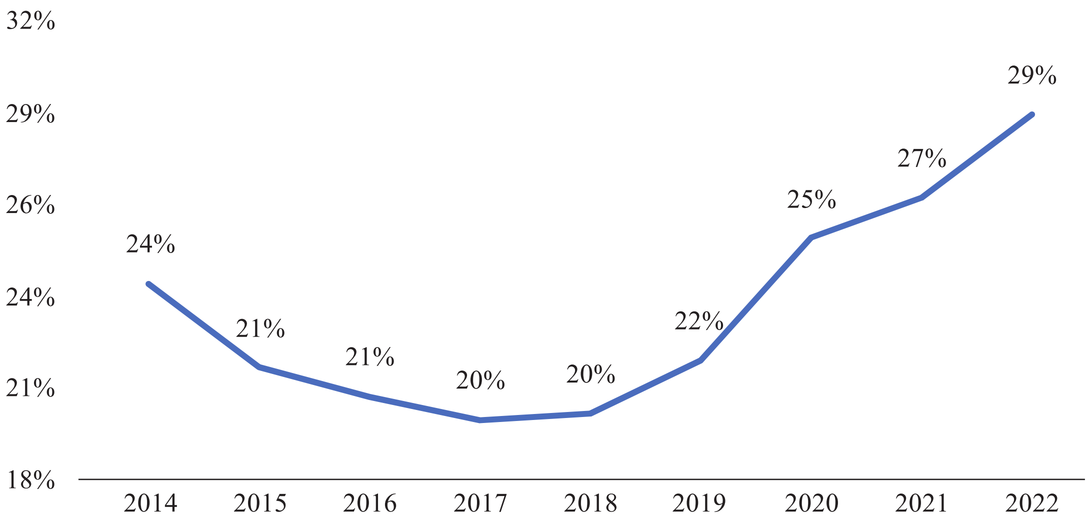


Figure 5. China's Local Government Debt Ratio (2014-2022)

Source: Luo Zhiheng & Fang Kun, "Panorama of Local Debt in 31 Provinces in 2022," February 15, 2023, *Yuekai Securities*, <https://stock.us/hk/report/view/v43m89pw>.

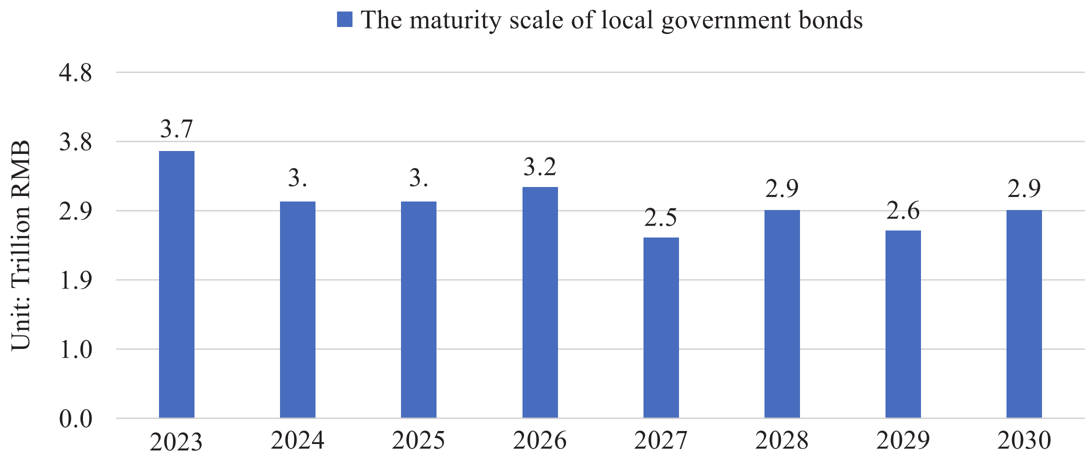


Figure 6. China's Local Bond Maturity for 2023-2030

Source: Luo Zhiheng & Fang Kun, "Panorama of Local Debt in 31 Provinces in 2022."

to 52.3% in Q1 of 2023. Despite manageable risks at present, potential risks lie in the sheer scale of local government bonds. This reliance on the banking sector and default possibilities would cause a financial crisis. Resolving the local debt challenge will require economic growth and alternative debt management strategies. Although debt indicators have not exceeded the danger threshold, the continuous accumulation of local government debt presents an economic risk. Especially in 2022, the impact of the pandemic caused a decline in local government fiscal revenue, exacerbating debt risks.

2. China Is Likely to Face the Challenge of Disentangling Itself from the Global Economic System

Factors such as the U.S.-China trade war, the pandemic, and disruptions in industrial supply chains have contributed to a new technological "cold war" between the U.S. and China. This arises from U.S. concerns about China's technological advancements, particularly in areas like 5G, which could potentially have an impact on its future position in economics, military, and geopolitics. The proportion of China's GDP represented by exports of goods and services has decreased from 24.6% in 2013 to 20.68% in 2022.

According to the IMF, global economic growth is expected to slow down over the next decade, influenced by factors such as a contraction in overseas demand.[2] Overall, weak international demand and ongoing U.S.-China tensions continue to affect China's import and export performance. The growth rate and economic performance of China's economy in the second quarter reveal a sluggish deceleration of economic momentum. This is primarily attributed to insufficient domestic and foreign demand, as well as weakened investment momentum due to uncertainties arising from unstable economic expectations among businesses. Global economic recovery remains sluggish, and trade tensions continue to affect China's exports and imports, creating an uncertain landscape. The United States has employed tariffs, technological controls, and a friend-shoring policy, reshaping China's export structure. Under the "China Plus One" strategy, companies are seeking diversified markets and production bases, which may lead to capital outflows and further exacerbate the weakening trend of the RMB.

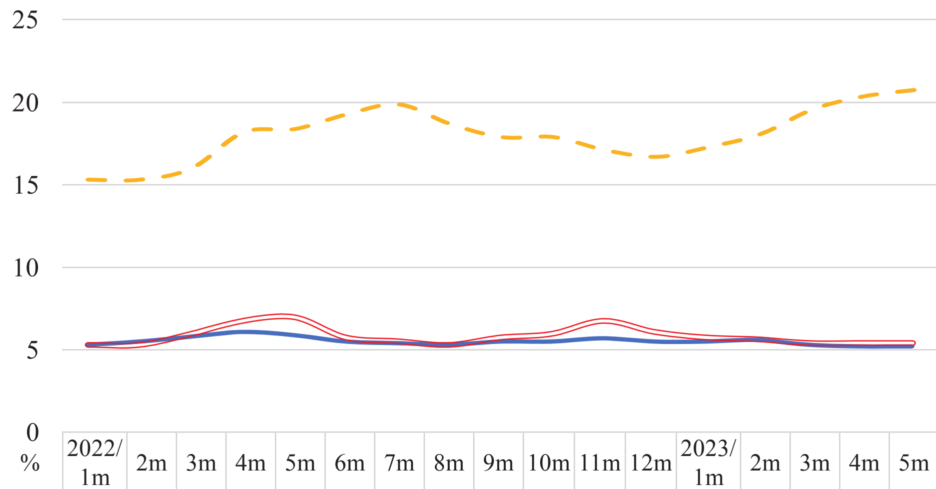
3. The Real Estate Market Plays a Crucial Role in China's Economy

Real estate's influence on GDP exceeds 17%, with real estate investment and related services contributing 10% and 7% to GDP, respectively. However, unregulated adjustments in the real estate sector could lead to severe consequences. Declining real estate sales, coupled with the government's view of it as a long-term challenge, have resulted in expectations of a "L-shaped" development trajectory for China's property market. Increased official scrutiny on land finances affects local economic development.

4. Unemployment Is Another Challenge for China's Economy

Urban youth unemployment rates have been steadily rising, particularly among those aged 16 to 24, reaching a historic high of 20.8% in May 2023 (see Figure 7). China's unemployment problem stems from the economic impact of the pandemic, industry structural adjustments, government regulations on high-tech sectors, and local fiscal difficulties that affect market and consumer confidence. Long-term

2. International Monetary Fund, "World Economic Outlook," April 2023, *IMF*, <https://www.imf.org/en/Publications/WEO/weo-database/2023/April>.



	2022/ 1m	2m	3m	4m	5m	6m	7m	8m	9m	10m	11m	12m	2023/ 1m	2m	3m	4m	5m
nationwide	5.3	5.5	5.8	6.1	5.9	5.5	5.4	5.3	5.5	5.5	5.7	5.5	5.5	5.6	5.3	5.2	5.2
31 big cities	5.4	5.4	6.0	6.7	6.9	5.8	5.6	5.4	5.8	6.0	6.7	6.1	5.8	5.7	5.5	5.5	5.5
aged 16-24	15.3	15.3	16.0	18.2	18.4	19.3	19.9	18.7	17.9	17.9	17.1	16.7	17.3	18.1	19.6	20.4	20.8

Figure 7. Urban Survey Unemployment Rate Statistics in China

Source: National Bureau of Statistics of China, "Statistical Data," August 1, 2023, accessed, *National Bureau of Statistics of China*, <http://www.stats.gov.cn/english/>.

unemployment will have adverse effects on the future economy. To maintain social stability, the Chinese government is implementing measures to promote youth employment, including subsidies and loan incentives to encourage businesses to create more job opportunities, support youth entrepreneurship, and provide subsidies for job seeking and entrepreneurship. Prolonged high youth unemployment could have an impact on urban residents' income expectations and purchasing power, potentially hindering the economic dynamics.

IV. Xi's Strategies for the Middle-Income Trap: From "Common Prosperity" to "Chinese Path to Modernization"

Xi Jinping's policy strategies for China's economy in his first term were guided by the concept of "common prosperity," taking into consideration both domestic and global economic dynamics. From 2013 to 2017, Xi and his team, including Vice Premier and Chief Economist Liu He, addressed issues like high debt levels, industrial overcapacity, and poverty. They achieved this through economic structural adjustments, international trade reforms, and advancements in foreign technology integration.

During this period, China entered the "New Normal" of economic growth, which posed challenges for poverty reduction. Despite proclaiming this shift in 2014, poverty alleviation was limited. Policies aimed at promoting "common prosperity" included targeted poverty alleviation, regional development initiatives, and rejuvenating older industrial areas. A commitment to the sustainable development of high quality was also emphasized in "common prosperity."

Since Xi's second term in 2018, domestic and international challenges have emerged. Amid the U.S.-China trade war, Xi adopted a more assertive economic stance, leading to intense battles in various policy areas, such as finance, investment, and technology cooperation with the United States. China's economic slowdown, influenced by factors like the pandemic and the real estate bubble burst, necessitated a shift from a development-centered strategy to addressing poverty alleviation and social inequality. "Common prosperity" strategies aimed to address issues such as poverty alleviation, structural reforms, and ecological civilization. The challenges of the "middle-income trap" and sustained growth remain, with a focus on developing a partnership between the government and the market.

In conclusion, Xi's policies during his first two terms reflect a shift from growth-centered strategies to addressing poverty and inequality through high-quality development and "common prosperity." The challenges of the global economic landscape and domestic structural issues have guided policy directions for China's economic transformation. Specifically, after Xi began his third term following the 20th National Congress, various internal and external challenges have become more serious. Although the "common prosperity" policy remains emphasized, the economy has taken a sharp turn for the worse due to the impact of the U.S.-China dispute and the pandemic, and the "Chinese path to modernization" has been further put forward as a central task in achieving "the great rejuvenation of China." This highlights Xi's adoption of a modernization path with Chinese characteristics, following China's feature path of political, social, economic, scientific, technological, and industrial development, as distinct from the Westernized model of economic development.

V. Policies to Strengthen Industrial Regulations and Guidance

The "Chinese path to modernization" aims to rejuvenate the nation through unique strategies in the face of global challenges. The emphasis on domestic demand, technological autonomy, and a robust industrial system forms the core of China's economic policies. In doing so, China combines the concept of "dual circulation" with its unique approach to modernization, unleashing the potential of domestic demand and private investment to cultivate a high-end market and strengthen inherent economic growth dynamics. This involves driving economic growth while simultaneously ensuring ecological sustainability, guaranteeing a stable and reliable supply of renewable energy, and facilitating the green transformation of industries. This strategy is orchestrated through four key dimensions:

(1) Capital expansion using a "red light-green light" approach: During the Economic Work Conference in 2021, the Central Committee of the Communist Party of China introduced the concept of capital "traffic lights." In April 2022, the Political Bureau reiterated this concept. The term "red light" refers to categorizing and establishing prohibited and restricted zones in a negative list format to prevent capital from impacting politics and social order. This mainly applies to industries where capital expansion is disorderly, including sectors such as the internet, media, and basic livelihood-related industries like education, healthcare, and real estate. The term "green light" refers to industries and sectors that align with official strategic development and areas with full market competition. It encourages capital entry and growth, particularly in hardware technology innovation and the green low-carbon economy.

(2) China's unique ESG (Environmental Protection, Social Responsibility, Corporate Governance) is a new trend in enterprise regulation: As China's mainland economy transitions from high-speed growth to high-quality development, issues such as an aging population, widening income inequality, and climate change have emerged. The Communist Party of China (CPC) promotes China's unique ESG. Initially, the policy focused on enhancing disclosure in state-owned enterprises, requiring them to release ESG disclosure reports by 2023.

Given international differences in ESG indicators and evaluation systems, a unified standard is yet to emerge. China's ESG ratings are relatively nascent, with limited data availability and insufficient development time to verify the rationality of its ratings. Consequently, Chinese rating agencies need to benchmark against international rating indices for recognition from overseas institutional investors. It is anticipated that the CPC will establish a China-specific ESG evaluation system, nurturing domestic ESG rating agencies and enhancing their evaluation quality.

(3) State capital's participation reshapes regulatory model: As the Chinese government contemplates relaxing regulatory measures on large technology companies, it is considering taking a 1% stake and ownership in individual tech firms. This move aims to exert a direct influence on corporate decisions to ensure

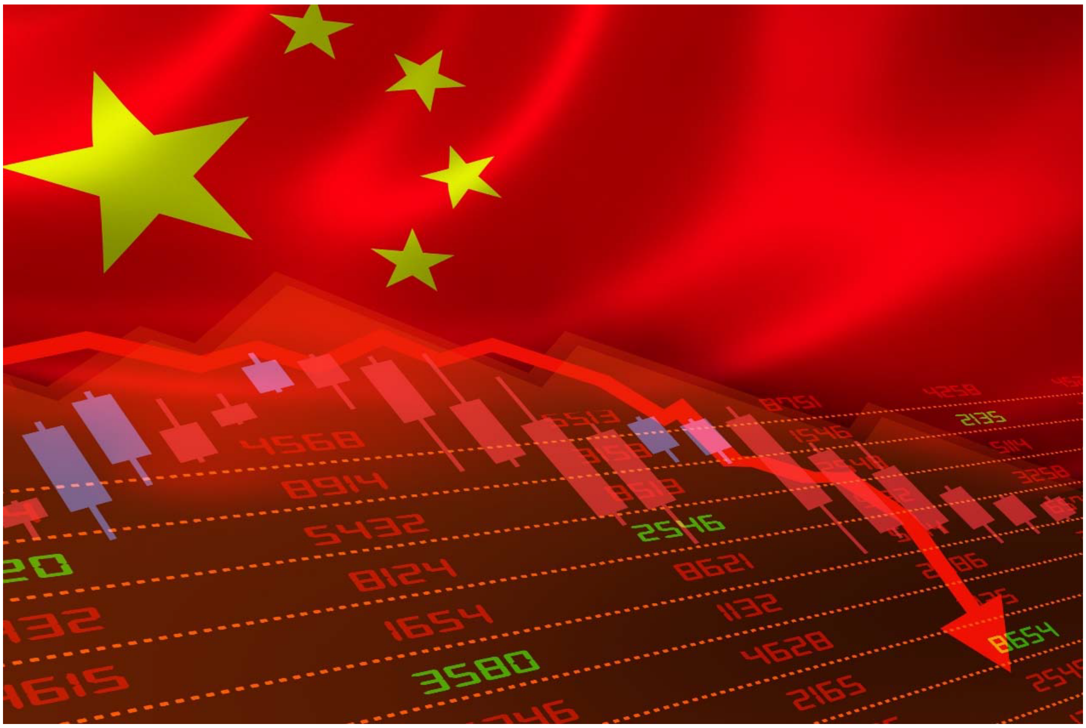


Figure 8. China's Facing Slowdown in Economic Growth and the Risks of Falling into the Middle-Income Trap

Source: Depositphotos.

alignment with overall policy directions. Particularly, as economic development enters a new stage, policy emphasis shifts towards "management and control." Through measures like state capital participation, strengthened regulations, and the establishment of party committees, the government aims to prevent excessive corporate expansion and ensure that enterprises remain under party governance. This approach aligns with the "mixed ownership reform" model, enabling state advancement and private sector withdrawal in enterprise management.

These regulations encompass policies for common prosperity, technological platform reforms, dual reductions in education, antitrust measures, and more. They could lead to penalties or investigations for companies, augmenting uncertainties for business operations. Additionally, laws pertaining to network security, data security, and personal information protection could increase the legal compliance costs for enterprises. The fourth phase of the Golden Tax System strengthens tax audits, raising compliance costs for companies. Restrictions on exporting controlled technology may affect supply chains and production, while import food registration requirements might increase costs. The *Counter-Espionage Law* could pose security risks for foreign investors and Taiwanese businesses. *The Antimonopoly Law* could heighten market investment risks, and real estate regulations could affect the market economy.

VI. Conclusion

Writing in the *New York Times* on July 25, Krugman questions whether China, facing similar demographic concerns and a strained economy, can replicate Japan's social cohesion and manage slower growth without mass suffering. He points out China's higher youth unemployment compared to Japan's history and expresses doubts about China's ability, particularly under an authoritarian regime, to handle such economic difficulties effectively.

In fact, China's middle-income trap has been a topic of discussion for many years. As shown in international organizations such as the IMF, China's economic pattern suggests it is headed for the middle-income trap. Chinese economists and policymakers have been worried about this issue for a long time. As China grapples with lackluster economic growth, the challenges it faces are gradually coming to the forefront. Chinese authorities have put forth a series of responsive policies. The recently adopted strategies, named "common prosperity" and "Chinese path to modernization," are challenging, and Beijing's policymakers are placing their hopes on China's continued growth on one single bet. Yet, given the backdrop of geopolitical tensions and the U.S.-China standoff, coupled with considerations of national security, policy implementations may exhibit paradoxical features, potentially leading to heightened regulatory measures. As a result, the prospects of China transcending the middle-income trap to bolster its economic dynamism is fraught with considerable uncertainty. More specifically, four dimensions can be further explored as follows:

First, the CPC seems more focused on assisting national economic security than addressing developmental issues of private enterprises. The government aims for state-owned and private enterprises to collaborate in technological innovation, forming shared platforms for technological innovation and enhancing independent innovation capabilities. Recent lists of executives from private enterprises participating in China's National People's Congress and Political Consultative Conference show the government's focus on strategic industries like electric vehicles, semiconductors, and AI, emphasizing enhanced technological and supply chain self-sufficiency to face international challenges. However, this is no assurance that it will favor the development of private businesses. According to Bloomberg, the government of China, through state-owned enterprises, has purchased "golden shares" of about 1% of the special powers of two Alibaba Group companies, obtaining board representation or vetoing key business decisions, implying that the government's power has gradually strengthened within private enterprises.[3]

Second, these implemented measures with high regulations may adversely affect the functioning of the market economy and introduce uncertainty to business environments. While China's economic landscape is marked by numerous complexities, both private enterprises and foreign investments necessitate a more open

3. "China's Government to Take Golden Shares in Alibaba, Tencent," *Bloomberg*, January 12, 2023, <https://www.bloomberg.com/news/articles/2023-01-13/alibaba-tencent-fall-after-report-beijing-taking-golden-shares#xj4y7vzkg>.

and permissive operational environment. This, in turn, can further impact investment confidence, potentially constraining economic recovery and employment growth. The 2023 Government Work Report emphasizes employment as a priority. However, with a subdued global economy and export industries facing pressure, coupled with weak domestic consumption, the ability of export-oriented private enterprises and service industries to absorb employment is limited.

Third, in addition to the aforementioned challenges, the landscape has been further complicated by the enduring effects of long-term real estate and technology industry regulations. These regulations have cast a considerable shadow over the domestic demand market, exerting pressure on its growth trajectory. As China endeavors to navigate these multifaceted difficulties, the imperative of bolstering indigenous technological capabilities becomes increasingly evident. Liu He, the ex-vice-premier, advocates for China to shift its growth model towards relying on technological innovation.[4] Amidst this intricate backdrop, there is a pressing need to strengthen autonomous innovation within the country's economic framework. Recognizing the imperative to evolve, there is a concerted effort to nurture and empower local small and medium-sized enterprises (SMEs) with latent potential, often referred to as China's "hidden champions." However, these efforts are not without their challenges, as external technological restrictions further amplify the complexity of this endeavor.

Finally, the pandemic and geopolitical factors have led foreign enterprises and Taiwanese businesses to seek independent production bases outside China to mitigate risks. Moreover, the risks and uncertainties of China's business environment might lead to capital outflows and Renminbi depreciation, negatively affecting the local

4. But for Beijing's economic decision-makers, the middle-income trap is still a real threat, as indicated by a long article by Vice Premier Liu He, published in the *People's Daily* in November 2021. To become an advanced economy, China must shift its growth model from a strategy "driven by inputs" to an approach "driven by technological innovation" – a process that is still in progress. Liu He, "High-quality development must be achieved," *People's Daily*, November 26, 2021, <http://cpc.people.com.cn/BIG5/n1/2021/1126/c441515-32292727.html>.

economy. International investors have expressed concerns about China's economic outlook, leading some to reduce investments in the country. The slow global economic recovery and international trade tensions impacting China's exports and imports, coupled with domestic and foreign businesses seeking diversified markets under the "China Plus One" strategy, could exacerbate economic uncertainty in China. The negative international environment results in a barrier for China to bridge the middle-income trap.