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Chinese economy continues to recover amid stability

By WEI SIYU

In 2023, the Chinese economy demonstrated tremendous resilience and potential despite manifold challenges at home and abroad. Looking ahead, the Central Economic Work Conference, convened in mid-December 2023, sized up China's macroeconomic landscape and set the tone for economic policies for the upcoming period, conveying a number of important optimistic signals.

Economic status quo

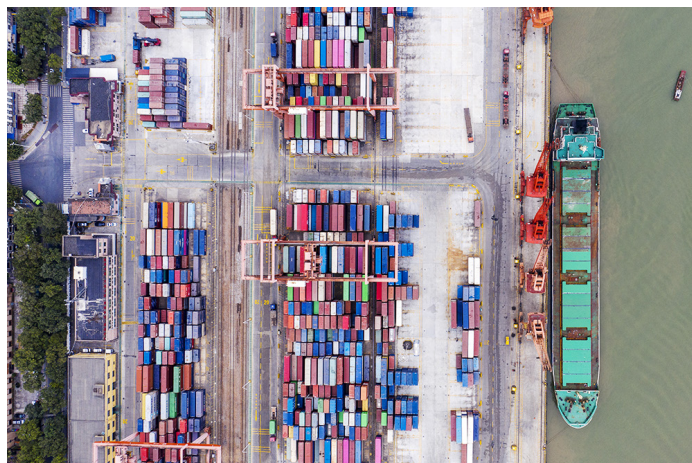
The conference offered a comprehensive summary of China's economic operation in 2023, characterized by relatively high growth rates, stable employment, low inflation, and basic balance of international payments. Several institutions have forecasted a 5.2% expansion for 2023, with the GDP expected to surpass 126 trillion yuan (roughly \$17.7 trillion). The nation is on course to retain its status as the largest engine of global growth, contributing approximately one third to the world economy.

At the same time, employment and price trends remained stable overall, with the average surveyed urban unemployment rate falling to about 5.2%. Import and export volumes remained essentially unchanged year-on-year, and the share of exports to international markets was expected to stand at around 14%.

Meanwhile, China witnessed solid advancement of high-quality development, remarkable progress in the construction of a modern industrial system, new breakthroughs in sci-tech innovation, strengthened foundations for security and development, and powerful, effective assurances for people's livelihoods.

Globally, world economic recovery was sluggish in 2023, as strategic interactions between major countries, geopolitical crises, backlash against globalization, and other risks cropped up and intertwined, while the effect of the COVID-19 pandemic lingered.

In light of these circumstances, it was pointed out at the conference that certain difficulties and challenges must be tackled to achieve further economic recovery. These include a lack of effective demand, overcapacity in some industries, weak social expectations, and many hidden risks. There are bottlenecks in the domestic economic flow, and the external environment is increasingly complex, severe, and uncertain. It is necessary to be vigilant against potential risks and effectively address these problems. Generally speaking, the favorable conditions for China's development outweigh the unfavorable ones, and the overall trends of economic recovery and long-term improvement remain unchanged. Confidence and determination must be boosted.



Data shows that in 2023, import and export volumes remained essentially unchanged year-on-year, and the share of exports to international markets was expected to stand at roughly 14%. Photo: TUCHONG

Discussing the assertion that "the favorable conditions for China's development outweigh the unfavorable ones," Hua Guowei, executive director of the National Academy of Economic Security at Beijing Jiaotong University, noted that China boasts strong political and institutional advantages, with a super-large market space and a sound industrial system, which serve as a strong foundation for fostering new economic drivers.

In recent years, rapid advancements in sci-tech innovation have effectively fueled continuous and substantial progress in core technologies. In particular, breakthroughs in such fields as artificial intelligence, commercial aerospace, quantum technology, and biomanufacturing have accelerated. Sectors of manufacturing such as new energy vehicles and shipbuilding have exhibited outstanding international competitiveness, and new drivers, models, and forms of business have emerged continuously.

Simultaneously, the extensive room for deeper development within the Chinese economy, significant disparities between urban and rural areas as well as among regions, and strong complementarity all signify enormous growth potential, Hua said.

Hua further emphasized that the accumulation and augmentation of positive elements for high-quality development will inevitably facilitate the Chinese economy's transition towards improved quality, efficiency, and reforms in driving forces in a synergistic manner.

At present, China finds itself in a crucial phase characterized by strategic opportunities and a trajectory of medium-to-high growth, said Bai Jingming, former vice president of the Chinese Academy of Fiscal Sciences. Since 2010, the country has firmly held its position as the world's second-largest economy, sustaining a growth rate of over 6% prior to 2019 and demonstrating consistent growth patterns during the three years of COVID-19 prevention and control. Moreover, the momentum

of recovery continued to grow in the first three quarters of 2023. These developments collectively indicate a smooth process of economic restructuring and continuous long-term growth prospects.

General guiding principle

Based on both domestic and international conditions, the conference outlined major arrangements for economic initiatives in 2024. It was emphasized that next year, it is necessary to adhere to the general principle of seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old. It will be essential to implement policies that are conducive to stabilizing expectations, growth, and employment. More efforts will be needed when it comes to taking proactive measures in transforming methods, adjusting structures, raising quality, and increasing efficiency, with a view to continuously strengthening the foundation for stability and improvement.

Regarding the general principle, Hua stressed that "maintaining stability" points specifically to stabilizing expectations, growth, and employment. Essentially it requires reasonable growth of quantity, involves the fundamentals of economic and social stability, and serves as the general guideline for China's economic development in the midst of global turmoil.

"Seeking progress," by nature, underscores fundamental changes to quality, with emphases laid on deepening reform and opening up, pushing ahead with supply-side structural reform, intensifying sci-tech innovation, and strengthening economic vitality, Hua said.

"Establishing the new before abolishing the old" refers to cultivating new business forms and drivers in the economy, fostering new partnerships between enterprises' new capacities and industries, and breaking away from old forms, models, methods, and dependencies, he added.

In general, "seeking progress while maintaining stability, and promoting stability through progress" highlights the stability and continuity of economic strategies. In other words, it refers to planning development in stability and enhancing stability in development. "Establishing the new before abolishing the old" underlines the importance of a steady pace in fine-tuning policies and advancing reforms, as well as the importance of timing, degree, and effectiveness. To put it another way, it is crucial to first identify and nurture new economic and industrial growth points, and then gradually abandon old drivers and areas. Therefore, "establishing the new before abolishing the old" serves as an effective guiding principle and a tangible approach for "seeking progress while maintaining stability," Hua said.

Sci-tech innovation prioritized

Adhering to the general principle of "seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old," the conference laid out economic plans for key areas in 2024.

In terms of macroeconomic policy, it is imperative to strengthen counter-cyclical and cross-cyclical adjustments of macroeconomic policies, and continue to implement proactive fiscal policies and prudent monetary policies, according to the meeting. Proactive fiscal policies should be appropriately strengthened and their effectiveness improved, while prudent monetary policies should be flexible, moderate, precise, and effective.

"We should strengthen coordination in fiscal, monetary, employment, industrial, regional, technological, and environmental policies, and include non-economic policies in the evaluation of the consistency of macroeconomic policy orientation. We should strengthen policy coordination to ensure consistent efforts and form synergies," according to the conference.

These explicit policy statements suggest that macro regulation will be further intensified in 2024. Among other expressions, the emphases on precision and effectiveness in monetary policy; coordination in fiscal, monetary, employment, industrial, regional, technological, and environmental policies; and the inclusion of non-economic policies in the evaluation of the consistency of macroeconomic policy orientation are unprecedented and highly targeted. These imply that greater attention will be devoted to policy implementation effects in order to maximize policy synergy.

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