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Highlights of This Month's Edition

Macro: Policymakers Pledge Fiscal Stimulus in 2023, but Jumpstarting Growth May Be Difficult

CONTEXT:

- Primarily because of the property crackdown and Zero-COVID lockdowns, China's real gross domestic product (GDP) grew only 3 percent in 2022, according to government figures, well short of the official target of around 5.5 percent.[1]
- In the wake of the COVID-19 pandemic, Chinese policymakers have continued to rely on state-led investment to support growth but have also tried to contain the risks of this model. An effort to curb speculative investment and debt-fueled construction in China's real estate sector caused a wave of property developer defaults in 2021 and 2022.
- The Central Economic Work Conference (CEWC) is China's top annual policymaking conference, where leaders meet at the end of the year and set broad economic priorities for the following year. The priorities articulated at the CEWC are often vague promises rather than detailed policies.

Chinese policymakers outlined a number of fiscal stimulus measures at China's top annual economic policy conference, a signal that the Chinese Communist Party (CCP) hopes for an economic revival in 2023. At the CEWC on December 14 and 15, CCP leadership announced planned fiscal support measures and other policies intended to boost economic growth. These measures include the "proactive use of deficits," subsidized interest rates, and special-purpose bonds, which local governments use to fund infrastructure projects.[2] The CEWC also reemphasized China's intention to attract more foreign capital, particularly in advanced manufacturing, and to seek

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membership in international trade agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which the United States has not joined.[3] Notably, the CEWC readout did not mention the "common prosperity" campaign, which emphasizes income equality rather than topline economic growth. The campaign was used to justify sweeping regulatory tightening measures on internet and education technology firms and contributed to China's market turbulence over the past two years.[*]

Policymakers have in particular signaled greater support for China's property developers in 2023, a sign that previous financing restrictions on the sector may soon be eased—though not all firms will necessarily benefit. In January, Bloomberg reported that CCP officials were considering easing the "three red lines" policy, first implemented in 2020, which reduced property developers' access to credit markets and resulted in defaults of more than 140 bonds in 2022.[†] [4] While repealing the three red lines could help some struggling property firms, lenders in China may remain reluctant to extend credit, particularly given ongoing weak demand in the property market. According to economic consulting firm Trivium China, Chinese lenders will largely limit their support to "state-owned developers and the small group of private developers that get government guarantees for their bonds," with other firms unlikely to receive significant aid.[5]

Even if the property market improves in 2023, slowing trade activity and other factors threaten to hamper China's growth prospects. While China's trade surplus with the rest of the world hit a record high of $878 billion in 2022, according to Chinese government figures, softening global demand is likely to lead to lower net exports for China this year.[6] U.S. government figures for December 2022 have not yet been released, but trade data through November suggest that U.S.-China bilateral trade could reach a record high in 2022.[7] U.S. demand for Chinese goods began to cool at the end of 2022, however, and the end of China's zero-COVID restrictions led to supply disruptions amid rising COVID infections.[8] Additionally, while China's economic growth in 2023 could depend heavily on domestic household consumption, there is little evidence that Chinese households have accumulated "excess savings" they will spend now that COVID restrictions have been lifted, according to economic consulting firm Rhodium Group. Moreover, Chinese policymakers have not announced any household-focused stimulus measures that could boost consumption.[9]

CCP Leaders Return to a Familiar, Flawed Playbook

The CCP's commitment to fiscal stimulus represents a return to a familiar playbook that has failed to address China's most pressing economic issues. For many years, Chinese policymakers have acknowledged the need to transition away from investment-led growth, which has led to a ballooning debt burden as developers choose projects of increasingly dubious value.[10] The economic shock of COVID-19, however, led policymakers to reverse course just months later and return to reliance on state-led investment. While the support measures helped spur economic activity, they did so at the cost of accumulating greater debt and further unbalancing China's economic model, which already suffered from weak consumption. Attempts to wean China's economy off large-scale investment throughout 2021 and 2022 contributed to deteriorating economic numbers, leading policymakers to at least partially reverse course in the second half of 2022 in an attempt to shore up growth.[‡] The central government mandated that local governments hasten their deployment of funds for infrastructure projects in the second half of 2022, though local governments have struggled to identify high-quality investment projects.[11]

[*] For more on the CCP's common prosperity campaign, see U.S.-China Economic and Security Review Commission, "China's 'Common Prosperity' Campaign Underscores Concerns over Inequality," in *Economics and Trade Bulletin*, September 14, 2021, 2–4. *https://www.uscc.gov/sites/default/files/2021-09/September_2021_Trade_Bulletin.pdf*.

[†] The three red lines consist of: (1) setting a ceiling for developers' debt-to-asset ratios at 70 percent, (2) setting net debt-to-equity ratios at 100 percent, and (3) capping short-term borrowing on par with cash reserves.

[‡] For a discussion of the Chinese government's fiscal stimulus policies and their limitations in 2020–2022, see U.S.-China Economic and Security Review Commission, "Chapter 2, Section 1: Year in Review: Economics and Trade," in *2022 Annual Report to Congress*, *2021 Annual Report to Congress*, and *2020 Annual Report to Congress*.

Energy: Chinese Firm Agrees to Oil Extraction Deal with Taliban

CONTEXT:

- Chinese policymakers have touted Afghanistan's importance to the Belt and Road initiative (BRI), given the country's geographic position as a potential node connecting South Asia, Central Asia, and the Middle East.[12]
- China continues to look to Central Asia as a way to diversify its fossil fuel imports away from Russia and the Middle East and to deepen economic ties with a neighboring region heavily influenced by Russia.
- China has a security interest in managing regional security risks emanating from Afghanistan and protecting its investments and citizens in the country.

Taliban leadership has signed an agreement with China's state-owned Xinjiang Central Asia Petroleum and Gas Company (CAPEIC) to drill for oil in Afghanistan. Following the United States' withdrawal from Afghanistan, China has renewed overtures to access Afghanistan's natural resources, particularly in the energy and mineral sectors.[13] This oil extraction agreement is the latest among Chinese attempts to deepen energy ties with Central Asian countries. China now relies on Afghanistan's neighbor Turkmenistan as its largest overland supplier of natural gas.[*] [14] A Taliban spokesman confirmed that the 25-year deal would allow CAPEIC to drill in a 4,500 sq. km (1,737 sq. mi) region in northern Afghanistan's Amu Darya basin, a region geological surveys estimate to hold 87 million barrels of crude oil.[15]

The CAPEIC deal is a major Chinese investment and the first international oil extraction contract signed by the Taliban since it took power in April 2021.[16] CAPEIC will invest $150 million into the project in the first year and $540 million over the subsequent three years, a potential boon for the slumping Afghan economy. While Afghanistan's GDP was over $20 billion in 2020, it is estimated by the World Bank to have contracted 30–35 percent through 2021 and 2022 amid the Taliban power transition.[17]

The security of assets and Chinese citizens remains an ongoing concern for the Chinese government as Chinese entities resume investment in Afghanistan. In mid-December 2022, the Islamic State–Khorasan, an Islamic State affiliate that opposes Taliban rule, bombed and fired upon guests of a Kabul hotel popular with Chinese businessmen.[18] According to reporting from Nikkei, in September 2022 the militant group circulated an editorial warning that China's pursuit of extraction deals in Muslim countries and its suppression of Uyghur Muslims could lead to conflict.[19] China's Foreign Ministry renewed calls for Chinese nationals to leave Afghanistan following the hotel attack.[20]

Tech: U.S. EV Makers Face Challenge in China

CONTEXT:

- Incubated by investment restrictions, tariffs, subsidies, and state-supported supply chains, electric vehicle (EV) manufacturing in China has flourished.[†] Coupled with consumer subsidies, these policies helped make China the largest EV market globally, accounting for more than half of EV unit sales in 2022.[21]
- Growing demand for green vehicles has made China an attractive market for U.S. automakers, but a 15–25 percent tariff on imported vehicles and—until 2018—a foreign ownership cap of 50 percent have limited U.S. manufacturers' market access.[‡] [22]

[*] Australia, which exports seaborne liquified natural gas (LNG) to China, is the country's largest supplier.

[†] To promote domestic production, the government offers firms subsidies for EV purchases, but only if the car was made in China and used lithium-ion batteries from approved Chinese suppliers. Chinese banks also fund outbound investment in raw materials needed to produce EV batteries, including lithium, cobalt, and neodymium. John D. Graham, Keith B. Belton, and Suri Xia, "How China Beat the U.S. in Electric Vehicle Manufacturing," *Issues in Science and Technology*, 37:2 (Winter 2021): 72–79. *https://issues.org/china-us-electric-vehicles-batteries/.*

[‡] Joint ventures are one avenue through which Chinese firms acquire foreign technology. Keith Bradsher, "How China Obtains American

- Now, China is scaling back support by repealing EV subsidies and investment restrictions.* [23] This follows a pattern seen in other sectors: the Chinese government protects domestic firms with market restrictions then removes restrictions when its firms are competitive, making it hard for U.S. entrants to gain market share.

U.S. EV producers struggle to maintain market share amid changing Chinese policy. GM operates in China through a joint venture with a state-owned enterprise (SOE). The company, SAIC-GM-Wuling (SGMW), is the second-largest EV manufacturer in China.† [24] Tesla, the third largest, opened its Shanghai Gigafactory in 2019 and has produced more than 1.32 million Chinese-made vehicles.[25] Despite the popularity of U.S. manufacturers, they are steadily losing market share to Chinese-owned firms like EV giant BYD, which has benefited tremendously from state support. In 2021, BYD controlled 18 percent of the Chinese EV market, SGMW controlled 14 percent, and Tesla controlled 10 percent.[26] By 2022, BYD's share expanded to over 30 percent; SGMW's share sat just above 8 percent and Tesla's share just below.[27]

Despite actions to open the market, U.S. EV producers face an uncertain future in China due to declining demand and increasing competition. Car sales are expected to fall as government EV subsidies expire and consumer spending declines in anticipation of an economic slowdown.[28] While Tesla China increased its total EV sales by 37 percent in 2022, December production was down 44 percent from November and 21 percent from the year prior.‡ [29] This reduction was owed in part to a temporary shutdown of the Shanghai factory in late December to reduce output in response to weakening demand.§ [30] In addition, foreign firms face strong competition from better positioned domestic firms. SGMW's Wuling Hongguang MINI was China's best-selling EV in 2021, followed by Tesla's Model Y.[31] By November 2022, BYD's Song Plus took the number one spot and is expected to be the top-selling EV of 2022.[32] The challenges facing U.S. EV makers in China are not unique to the auto industry. U.S. firms in China often compete on an unlevel playing field created through a mix of tariffs, market access restrictions, and investment requirements that favor Chinese domestic producers.

Tech: Senators Talk Competition with China at CES

CONTEXT:

- Under General Secretary of the CCP Xi Jinping's "Made in China 2025" policy, the Chinese government has increased research and production capacity in strategically significant high-tech sectors like EV batteries, artificial intelligence, and semiconductors.[33]
- U.S. policymakers discussed the importance of continued and robust tech competition with China for national security at CES, a consumer electronics tradeshow. While government officials have previously attended the event, this year hosted a larger lineup with a greater focus on competition with China.
- The CHIPS and Science Act of 2022 promotes U.S. manufacturing in computer chip technology in an effort to offset China's increasing control over the semiconductor supply chain.

U.S. policymakers highlight Chinese tech competition at CES. The Consumer Technology Association's flagship tradeshow was held January 5–7 in Las Vegas and featured Senators Mark Warner (D-VA), Jacky Rosen

Trade Secrets," *New York Times*, January 15, 2020. *https://www.nytimes.com/2020/01/15/business/china-technology-transfer.html*.

* The government repealed all investment restrictions on foreign passenger vehicle manufacturers in 2022. Shun Suke Tabeta, "China Scraps Foreign Investment Curbs in Auto Sector," *Nikkei Asia*, December 28, 2021. *https://asia.nikkei.com/Business/Automobiles/China-scraps-foreign-investment-curbs-in-auto-sector*.

† GM entered the Chinese market in 1997, when joint ventures were mandatory for foreign automakers.

‡ In December 2022, Tesla made 55,796 vehicles in China for wholesale shipment (including for local sale and export), as compared to 100,291 vehicles made in November 2022 and 70,847 vehicles made in December 2021. Mark Kane, "China: Tesla EV Sales Noticeably Decreased in December 2022," *InsideEVs*, January 9, 2023. *https://insideevs.com/news/630002/china-tesla-ev-sales-december2022/*.

§ The Chinese government halted a planned expansion of this factory due to security concerns over Tesla's collection of data as well as the company's connection to Starlink satellites through its CEO, Elon Musk. *Bloomberg*, "Tesla China Plant Expansion in Doubt over Starlink Concerns," *Bloomberg*, January 12, 2022. *https://www.bloomberg.com/news/articles/2023-01-12/tesla-china-factory-expansion-plans-in-doubt-amid-data-concerns?sref=mxbIZFb4*.

(D-NV), and Ben Ray Luján (D-NM) and Secretary of Energy Jennifer Granholm, among others. Competition with China was a dominant theme in discussions led by one of the largest lineups of government officials ever to attend the event, highlighting policymakers' growing interest in domestic innovation. In his presentation, Senator Warner, chairman of the Senate Intelligence Committee, identified quantum computing, artificial intelligence, advanced engineering, and synthetic biology as the frontiers of technology competition between the United States and China.[34] These areas, several of which General Secretary Xi identified as "core" Chinese interests, stand to benefit from investment in the domestic semiconductor market made under the CHIPS Act.[35]

At CES, Secretary Granholm emphasized the need to secure the EV battery supply chain out of China's control.[36] While China holds only 7 percent of global lithium reserves, a key element in producing EV batteries, it ensures access to this resource through overseas investments like Contemporary Amperex Technology Co. Limited's (CATL) recent bid to develop mines in Bolivia.[*] [37] China also maintains 60 percent of the world's lithium processing capacity.[†] [38] Moreover, 55 percent of U.S. finished lithium-ion battery imports came from China in 2021.[39]

Finance: Legislation on Bank Bailouts Moves Forward

CONTEXT:

- The cracks in China's debt-fueled development became apparent in a series of crises at troubled financial institutions between 2019 and 2021. To avoid financial turbulence, central authorities intervened to restructure distressed banks and asset management companies relying on a lengthy, ad hoc bargaining process as the risk of contagion to other financial institutions rose.[‡] [40]
- This highly opaque approach has been driven by political pressures, as different creditors—often local governments or affiliated entities—have jockeyed to avoid losses on their investments.
- In many cases, the need to quickly restore investor confidence in financial markets has led the central government to take on the lion's share of the costs of resolving these risks.[41] These state-funded bailouts limited the financial fallout in markets but undermined regulators' efforts to discourage risky investing.

A revised proposal released by China's national legislature promises to institutionalize a streamlined bailout process but maintains weak constraints on rescuing state-favored financial institutions. The draft law, released on December 27, 2022, aims to standardize the government playbook for containing systemic financial risk and recruit local governments and financial markets to shoulder the cost of bailing out distressed banks.[42] The proposed legislation, which builds on an earlier draft issued by the People's Bank of China (PBOC) in April 2022, outlines a coordination mechanism under the direct control of the central government for managing bailouts, which could provide structure to a previously informal negotiation on debt restructuring and disposal.[43] The draft law also creates a new fund controlled by the coordination mechanism to bail out troubled but systemically important financial institutions, including major state-owned commercial banks considered "too big to fail."[§] The PBOC, alongside

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[*] CATL supplies EV batteries for both Tesla and Volkswagen. Harry Dempsey and Gloria Li, "Chinese Battery Makers Strengthen Grip on Global Supply," *Financial Times*, January 4, 2023. *https://www.ft.com/content/0d2553ad-e512-4979-af1b-39d08397de82*.

[†] The United States holds 3 percent of lithium reserves globally, China holds 7 percent, Australia holds 25 percent, and Chile holds 41 percent. In 2021, the United States' net import reliance for lithium was less than 25 percent, and only 5 percent of imports came from China between 2017 and 2020. U.S. Geological Survey, *Mineral Commodity Summaries 2022*, January 31, 2022. *https://doi.org/10.3133/mcs2022*.

[‡] Among other institutions, these included including Anbang Insurance Group, Tomorrow Holding Co. Ltd., Baoshang Bank, and Huarong Asset Management Company. Huarong, China's largest distressed debt manager under the Ministry of Finance, was recapitalized with a $6.6 billion infusion from a consortium of state-led financial groups in exchange for a controlling equity stake. The outcome was orchestrated by Chinese regulators, after months of bureaucratic infighting over which government entities should absorb the costs. Carl E. Walter, *The Red Dream*, Wiley, 2022, 176–177; *Reuters*, "China's Embattled Huarong Secures $6.5 Billion Investment," November 17, 2021. *https://www.reuters.com/article/china-huarong-restructuring-idCAKBN2I30BB*; *Bloomberg*, "Inside the Huarong Bailout That Rocked China's Financial Elite," August 30, 2021. *https://www.bnnbloomberg.ca/inside-the-huarong-bailout-that-rocked-china-s-financial-elite-1.1645822*.

[§] In 2022, the PBOC and China's Banking and Insurance Regulatory Commission identified 19 banks as systemically important banks. People's Bank of China, *PBC and CBIRC Release List of China's Systemically Important Banks for 2022*, September 9, 2022.

State Council ministries and financial institutions, is reportedly raising over $100 billion for this fund, but the bank has yet to confirm how much has already been committed.[44]

The draft law aligns with regulators' intent to impose market discipline on the financial sector, but the CCP's eagerness to maintain stable markets will likely limit its ability to constrain risky lending. PBOC Governor Yi Gang emphasized late last year the need for China's markets to absorb losses from failed investments and for local governments to "assume local responsibility for risk disposal."[45] These stated goals would require local governments and financial institutions to incur more of the costs associated with disposing of risky assets.[46] Cash-strapped and heavily indebted local governments are unequipped to recapitalize troubled banks, however, and central authorities will likely continue stepping in to prevent risks from spreading to other financial institutions, limiting the utility of the proposed coordination mechanism.[47] These political dynamics may have led China's legislature to strike a provision from the PBOC's initial draft that would have required local governments to absorb some of the costs of a bailout themselves, before payments from the fund are granted.[48]

Fiscal: Bank Loan Restructuring Shows Limits of Local Debt Cleanup

CONTEXT:

- China's local governments have built up an unsustainable debt burden by borrowing through SOEs to avoid taking debt onto their own books. Creditors nonetheless treat this "hidden debt" as though it were backed by local governments, creating moral hazard. The Bank of International Settlements estimated China's total debt-to-GDP ratio at 295 percent as of mid-2022.[49]
- Beijing has tried to address hidden debt for years with little to show, prompting further efforts to curb local governments' borrowing and force their creditors to renegotiate existing loans on more favorable terms.
- This latest attempt at debt cleanup fits within a broader effort under General Secretary Xi to centralize control of local governments, which had more latitude under previous leaders.

Zunyi Road and Bridge Construction Group, a state-owned construction firm in China's Guizhou Province, became the first local government financing vehicle (LGFV) to restructure its bank loans in a December deal. According to its December 30 announcement, the LGFV will restructure $2.3 billion (renminbi [RMB] 15.6 billion) in loans and reduce interest payments from 4.5 percent to 3 percent while delaying principal repayment for ten years.[50] The deal, which is unfavorable to the bank creditors, was likely only possible because of top-down pressure from Beijing and Guizhou's provincial government.[51]

The debt restructuring could pave the way for similar deals throughout China, but bank loans are just a small portion of LGFV debt. For instance, the $2.3 billion (RMB 15.6 billion) in restructured bank loans accounts for less than 20 percent of Zunyi Road and Bridge's total debt.[52] The bulk of its interest-bearing liabilities are held in forms of debt more difficult to restructure, such as public bonds and shadow banking products.[53] Meanwhile, Zunyi Road and Bridge is only one of a multitude of LGFVs within Guizhou, a province whose acute LGFV debt accumulation has drawn attention even within a system characterized by opaque debt-fueled growth.

Restructuring current local government debt does not address the root cause of the problem: local government revenues are insufficient to meet expenditure obligations. Beijing has tried to address the mismatch by increasing "front door" financing channels, such as issuance of municipal bonds within centrally managed quotas. Bond proceeds and other sanctioned fundraising channels still do not cover local fiscal shortfalls, however, especially given China's tepid growth in 2022 from Zero-COVID lockdowns and the property sector crackdown.[54]

In Brief

- **China's crackdown on the technology sector has been completed, according to Guo Shuqing, Party Secretary of the People's Bank of China.**[55] Guo, who also serves as chairman of the China Banking and Insurance Regulatory Commission, said that regulators would relax a campaign targeting China's fintech sector, among other areas, and China's central bank will provide support for private firms in an effort to boost jobs and economic growth.[56]

- **On January 8, 2023, the central banks of China and Argentina activated an expanded bilateral currency swap agreement.** The agreement provides $5 billion (RMB 35 billion) to bolster Argentina's foreign reserves in addition to the $19 billion (RMB 130 billion) already extended in previous renewals of the original 2009 agreement.[57] Because Argentina has defaulted on its foreign debt obligations on multiple occasions over the past two decades, the country is constrained in its ability to borrow in dollars and other major foreign currencies.[58] Argentina's need for foreign reserves presents Beijing an opportunity to promote the internationalization of the RMB and boost bilateral economic relations, as the swap line promotes RMB-denominated trade and facilitates borrowing from China.[*] [59]

- **The EU escalated disputes at the WTO targeting China's economic coercion against Lithuania and disruption of overseas intellectual property litigation through the use of antisuit injunctions.**[†] [60] On January 27, 2023, the WTO's Dispute Settlement Body established panels to investigate and adjudicate the two cases.[61] China had blocked an earlier attempt by the EU to set up dispute panels in December 2022, but countries may only veto requests once, and the EU's request was approved by the WTO body at its January meeting.[62]

[*] Between 2007 and 2019, China's policy banks have extended a total of $17 billion in loans to Argentina. Argentina has also used its swap line with China to convert RMB into U.S. dollars, which it used to meet its external payments. Inter-American Dialogue, "China-Latin America Finance Database," 2022. *https://www.thedialogue.org/map_list/*; Cindy Li, "Banking on China through Currency Swap Agreements," *Federal Reserve Bank of San Francisco*, October 23, 2015. *https://www.frbsf.org/banking/asia-program/pacific-exchange-blog/banking-on-china-renminbi-currency-swap-agreements/*.

[†] In the first of the two cases, the EU asserts China unjustly imposed trade restrictions against Lithuania starting in December 2021, after Lithuania opened the Taiwanese Representative Office in Vilnius. The second case concerns Chinese courts' issuance of antisuit injunctions to prohibit standard-essential patent holders from pursuing intellectual property legal action in non-Chinese courts, placing monetary consequences on companies that violate the order. For more on China's actions in both disputes, see U.S.-China Economic and Security Review Commission, Chapter 2, Section 2, "Challenging China's Trade Practices," in *2022 Annual Report to Congress*, November 2022. *https://www.uscc.gov/annual-report/2022-annual-report-congress*.

[1] Iori Kawate, "China's Economy Faces Triple Threat after Growth Misses Target," *Nikkei Asia*, January 17, 2023. *https://asia.nikkei.com/Economy/China-s-economy-faces-triple-threat-after-growth-misses-target.*

[2] *Xinhua*, "China Holds Central Economic Work Conference to Plan for 2023," December 21, 2022. *https://english.news.cn/20221216/8b12bef08e5849a0ad25ff6fd5e150e6/c.html*.

[3] Evelyn Cheng, "China's New Growth Goals Require a Change for Attractive Foreign Investors, Official Says," *CNBC*, October 18, 2022. *https://www.cnbc.com/2022/10/17/chinas-new-growth-goals-require-a-change-for-attracting-foreign-investors-official-says.html*.

[4] *South China Morning Post*, "Top 100 Chinese Developers Saw Sales Plunge 40 per Cent in 2022," January 4, 2023. *https://www.scmp.com/business/china-business/article/3205513/top-100-chinese-developers-saw-sales-plunge-40-cent-2022-property-crisis-deepened*; Daniel H. Rosen, Charlie Vest, and Rogan Quinn, "Now for the Hard Part: China's Growth in 2023 and Beyond," *Rhodium Group*, December 29, 2022. *https://rhg.com/research/now-for-the-hard-part/*; *Bloomberg*, "China Property Crisis: Beijing May Ease 'Three Red Lines' Rules in Big Shift," January 5, 2023. *https://www.bloomberg.com/news/articles/2023-01-06/china-may-ease-three-red-lines-property-rules-in-drastic-shift?sref=mxbIZFb4*.

[5] Trivium China, "Better than Expected," *China Markets Dispatch*, January 17, 2023.

[6] *Bloomberg*, "China's Exports Slump Further as Global Demand Drops Off," January 12, 2023. *https://www.bloomberg.com/news/articles/2023-01-13/china-posts-record-trade-surplus-for-2022-despite-slowing-demand?sref=mxbIZFb4*; Daniel H. Rosen, Charlie Vest, and Rogan Quinn, "Now for the Hard Part: China's Growth in 2023 and Beyond," *Rhodium Group*, December 29, 2022. *https://rhg.com/research/now-for-the-hard-part/*.

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[8] Daniel Flatley, "What Decoupling? China and U.S. Trade in 2022 Was Record-Breaking," *Fortune*, January, 17, 2023. *https://fortune.com/2023/01/17/what-decoupling-china-us-trade-2022-record-breaking-offshoring-onshoring-biden-xi/*; Ana Swanson, "With Americans Stuck at Home, Trade with China Roars Back.," *New York Times*, December 14, 2020. *https://www.nytimes.com/2020/12/14/business/economy/us-china-trade-covid.html.*

[9] Allen Feng and Logan Wright, "Not Buying It," *Rhodium Group*, January 18, 2023.

[10] Eric Levitz, "China's Economic Model Is in Crisis (and Xi Knows It)," *Intelligencer*, January 24, 2023. *https://nymag.com/intelligencer/2023/01/china-economy-property-bubble-reopening-zero-covid.html*.

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[12] Qi Zhenhong, "The Role of Afghanistan in China's 'Belt and Road' Initiative and China's Policy on Afghanistan—Dean Qi Zhenhong's Speech at the 7th 'Herat Security Dialogue' in Afghanistan" (阿富汗在中国"一带一路"倡议中的角色及中国对阿政策—戚振宏院长在阿富汗第七届"赫拉特安全对话会"上的发言稿), *China Institute of International Studies*, October 10, 2018. *https://m.ciis.org.cn/sspl/202007/t20200710_674.html*. Translation.

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[14] *Reuters*, "China's XI Calls for Greater Cooperation with Turkmenistan on Natural Gas," January 6, 2023. *https://www.reuters.com/world/asia-pacific/chinas-xi-calls-greater-cooperation-with-turkmenistan-natural-gas-2023-01-06/. https://www.163.com/dy/article/HQFR3KS10553UEWM.html?f=post2020_dy_recommends.*

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[16] Saeed Shah, "Chinese Firm Signs $540 Million Oil-and-Gas Deal in Afghanistan," *Wall Street Journal*, January 5, 2023. *https://www.wsj.com/articles/chinese-firm-signs-540-million-oil-and-gas-deal-in-afghanistan-11672934543*.

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