

China's Controlled Liberalization Domestic Economic Reforms & Their Strategic Global Consequences

Dr. Syed Rizwan Haider Bukhari¹, Ehsanullah khan², Tourkia Rebhi³

¹ PhD Political Science (Strategic Studies), Islamia College University Peshawar (Estb- 1913), Khyber Pakhtunkhwa, Pakistan. (Corresponding Author), **Email:** bukharipalmist@gmail.com

² PhD Scholar, Disaster Management and Development Studies, University of Balochistan, Quetta. **Email:** Khan19ff@gmail.com

³ Civil Status System Laboratory, University of Khemis Miliana, Algeria. **Email:** dr.rebhi1996@gmail.com

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Abstract

This is an investigation of China's experience of 'controlled liberalization', which is unique form of economic reform that occurs within an authoritarian political system. The western liberal notion that Pareconomy entails Parepolitics is not, however, shared by China, where Pareconomy is put together with Party control. China has also, since the late 20th century, introduced more marketizations and a more powerful presence of the state in strategic industries, private businesses, technology and particularly political activities and life in general, particularly under Xi Jinping. These aspects of this model, such as state capitalism, technological governance, corporate regulation, the Belt and Road Initiative, and digital surveillance are examined. It contends that the Chinese hybrid form of governance has helped them quickly industrialize, technologically advance, and influence the world, while also maintaining stability in a highly authoritarian state. Finally, the research indicates that emulation of the China model provides a way to engage in modernization for developing states that do not wish for liberal democracy. The response of the Chinese State to liberalization, a process the Chinese government has carefully promoted, has resulted in the reconfiguration of the global economic governance system and helped to make international affairs more multipolar.

Keywords: China, Controlled Liberalization, State Capitalism, Economic Reforms, Communist Party, Belt and Road Initiative, Technological Governance, Authoritarian Modernization, Global Economic Governance, Multipolarity

Introduction

The transition of the formerly closed socialist China economy with actual economy size the second largest in the world is one of the most significant events in international political economy in the modern history of the world. Since the reforms started in late 1978, Deng Xiaoping's regime in China has increasingly pivot towards economic integration with the world, while maintaining tight political control under the Communist Party of China (CPC). It contrasted with the western liberal democracies, which had assumed that economic liberalisation inevitably leads to political pluralism, that China had not seen a liberalization process as a prelude to political pluralism. Rather, it developed a unique system of governance that is characterized by market-oriented reforms, global economic integration, and political dictatorship (Segovia 2026).

China has moved into a more assertive stage of retreat towards liberalism under Xi Jinping. Economic reform remains the vector of innovation, foreign investment, industrial improvement and technological progress while at the same time it is accompanied by greater party supervision, regulatory involvement and political centralism. Under Xi's leadership, the CPC has reinforced its place in managing the economy, strengthened restrictions on private technology companies, increased digital surveillance systems, and added economic reform to other national goals, including the Belt and Road Initiative (BRI)(Yanikkaya, Tat, and Altun 2026).

State capitalism is key to China's political economy. In this model, the state has aimed to play a decisive role in key sectors in the economy, financial institutions, technological innovation and large-scale private companies, while in the rest leaving the markets in place. It is a blend between two whereby China can gain the best of both worlds, enjoying market efficiencies while maintaining exercise of authoritarian control of the direction of national development. In this sense, state intervention is nothing out of the ordinary to the Chinese economic system, but rather an intrinsic part of it aimed at growth, stability and political security of the country(Fu et al. 2026).

Globally, China's ascendance has reverberated in a number of significant ways, with geopolitical and ideological implications. China constantly offers itself to the world as an alternative model to western democratic systems, especially to states in the developing world which are eager for economic modernization without also introducing political liberalisation. As a result, China has been building up its footprint in Asia, Africa, Latin America and parts of Europe with infrastructure projects, digital tech exports, trade agreements, development financing and the BRI. As such, the Chinese model is a refutation on the Western axiom that liberal markets and democratic government go together, which is perhaps a matter of interpretation(Fuchs 2026).

The research analyse the process of controlled liberalisation of China, and assess its implications at home and overseas. It addresses the question of whether China has the ability to respect market freedoms while retaining state control, what kind of a role the private sector plays as a provider of funds and new technologies, and how the CPC manages private capital and technological innovations, as well as whether the Chinese system of governance is setting itself against, or takes the place of, aspects of Western liberalism. The effects of China's economic reforms on strategic implications and the international economic order are also examined, for instance on the international economic order, the structure, governance models and development pathway of the world's economy(Zinchenko, Boichenko, and Drach 2026).

Literature Review

Economic Liberalisation and the Modernisation Debate. The literature on China's economic transformation reflects a broad debate regarding the relationship between capitalism, state authority, and political governance. Early modernisation theorists argued that economic liberalisation would eventually produce political democratisation. According to this perspective, the expansion of market economies, urbanisation, and the emergence of a middle class would generate pressure for democratic reforms and political pluralism. However, China's experience has challenged this assumption by demonstrating that rapid economic growth can coexist with authoritarian political structures and centralized party control(Chatterji and Murray 2026).

State Capitalism and Hybrid Economic Governance. A major body of scholarship focuses on China's model of state capitalism, which differs from both traditional socialism and Western free-market capitalism. Scholars argue that China has developed a hybrid economic system in which market mechanisms operate under the strategic direction of the state. The government maintains ownership or influence over key sectors such as banking, telecommunications, energy, infrastructure, and defense industries, while private enterprises function within boundaries established by the Communist Party. Researchers suggest that this arrangement

enables China to pursue long-term national development goals, maintain economic stability, and prevent the social disruptions often associated with unrestricted market liberalisation (Bukhari, Malik, and Mahmood 2024).

Xi Jinping and the Return of Political Centralisation. The leadership of Xi Jinping has attracted significant scholarly attention because of the expansion of political and economic centralisation. Analysts argue that Xi's governance represents a shift away from the relatively decentralized and technocratic approach associated with earlier reform periods. Under Xi, the Communist Party has strengthened ideological discipline, increased regulatory oversight of private technology companies, reinforced state influence over strategic industries, and promoted the concept of "common prosperity" as a response to widening inequality. The regulation of major firms such as Alibaba and Tencent illustrates the state's willingness to intervene in private markets in order to preserve political authority, economic security, and social stability (Hsueh, Matsumura, and Yang 2025).

Technological Governance and Digital Authoritarianism. Another important area of literature examines China's technological governance model and digital surveillance infrastructure. Scholars argue that China has integrated artificial intelligence, big data analytics, facial recognition systems, and digital monitoring technologies into state governance in order to strengthen administrative efficiency and political control. The social credit system and broader digital surveillance architecture are frequently interpreted as mechanisms for maintaining social order, monitoring dissent, and reinforcing party authority. Some researchers describe this model as digital authoritarianism, while others argue that it represents a technologically adaptive governance framework suited to the information age (Han and Jiang 2026).

The Belt and Road Initiative and Global Influence. The Belt and Road Initiative (BRI) has also generated extensive academic discussion concerning China's global ambitions and strategic influence. Supporters view the BRI as a platform for infrastructure development, trade connectivity, and economic cooperation, particularly in developing regions facing investment shortages. Critics, however, argue that the initiative expands China's geopolitical influence, increases economic dependency, and strengthens Beijing's strategic leverage across Asia, Africa, Latin America, and Europe. Within the literature, the BRI is often interpreted as part of China's broader effort to reshape global economic governance and challenge Western dominance within international institutions (Regilme 2026).

China Versus Western Liberalism. The debate over whether the Chinese governance model represents an alternative to Western liberalism remains highly contested. Some scholars argue that China's economic success has increased the appeal of authoritarian modernization, especially in countries experiencing political instability, governance crises, or economic underdevelopment. Others contend that China's model may face long-term structural constraints, including demographic decline, debt accumulation, inequality, and restrictions on political freedoms that could limit innovation and social adaptability. Nevertheless, China's rise has weakened the universal appeal of Western liberal democracy by introducing a competing model of governance that combines economic openness with political authoritarianism (Bukhari, Khan, et al. 2024).

Synthesis of the Literature. Overall, the literature demonstrates that China's controlled liberalisation represents a distinctive fusion of economic openness and political centralisation. China's model has transformed global debates regarding capitalism, governance, development, and international order. The existing scholarship highlights both the strengths and contradictions of China's approach, while also revealing broader questions concerning the future relationship between economic modernisation, political authority, and global power in the 21st century.

Research Methodology

The methodology adopted in this research is qualitative and analytical, aimed at analyzing the process of China's liberalisation that is controlled and its implications on the world strategy. In the study, much is used secondary sources such as academic journals, manuscripts and books, policy reports, government documents and international economic analyses. The sources shed light on the internal reforms, political order, technological regulation and global economic policies of China. The research takes a descriptive and interpretive approach to analyse China's economic liberalisation and political authoritarianism. It investigates some of the interesting developments in China's policies during the rule of Xi Jinping, such as the role of the state in private industries, the regulation of technology, and the strategic planning of the economy. There is a special emphasis on the problem of market reform and political centralisation. Case study analysis is also used to assess the key policy instruments like the Belt and Road Initiative and China's management of technology companies. A series of case studies reinforces the understanding of the effects of domestic economic policies on China's strategic course in international politics and geopolitics. The research also conducts a comparative analysis, comparing the Chinese governance model with liberal economic systems prevalent in western countries. In this comparison we can see the variation in political systems, economic management, and writing the rules for technologies. In this way, the study examines whether or not China can offer an alternative model of liberal democracy that can be sustained in the long term. The approach used is limited because of the secondary data used and the difficulties in obtaining reliable data on Chinese state policies. However, a variety of academic and policy sources provide an analytical depth and balanced interpretation.

Findings and Results

The abolition of Traditional Authority. Dissipation of customary power and transformation of the economy. The research shows that China has now developed a model of controlled liberalisation that entails an economic liberalisation policy with a high degree of authoritarian political control. Economic liberalisation has benefited the country in various ways, including its ability to boost industrial production and export potential, foster technological innovation and enhance integration into the global economy, but the Communist Party of China, or CPC, has kept a tight grip on political control over society, governance and strategic sectors.

The Essence of Chinese Economy is State Capitalism. State capitalism is the central part of China's economic system. An important discovery is that State capitalism continues to be the hallmark of the political economy of China. The government remains large and influential in strategic industries while the private sector has rapidly developed since the reform era, though at present it is not large enough to possess the power to challenge the government. The government protects SOs, provides funding to them, and grants specific privileges in allocation of strategic resources, and thus can set priorities for national development. The governance system has enabled China to generally keep economic stability during times of global financial crisis, trade conflict, geopolitical uncertainty and so on.

Xi Jinping and Political Centralisation. The study also reveals that Xi Jinping's reforms have led to increased political centralisation, not decreased. When companies like Alibaba, Didi and Tencent are seriously targeted, like these have been by the regulators, it shows that private economic power cannot exist without party power. The Chinese leadership sees more and more that the regulation of the economy, technological control and corporate supervision are integral parts of nation security, political stability and ideological control.

Digital Governance and Surveillance Capability. Another key discovery involves the Chinese digital governance- and surveillance infrastructure. AI, facial-recognition systems and big data collection and monitoring systems have greatly increased state powers in governance and social control. The technologies involved are cited to control information, regulate crowd dynamics, quell dissent, and embed power. The digital governance model has won up interest in different authoritarian and developing states wanting technologically established models of management and political stability. This book is an original contribution to political science.

This book makes an original contribution to political science. Belt and Road Initiative (BRI) has become an important arm of economic diplomacy and geopolitics. By investing in infrastructure, financing development in various Asian, African, European and Latin American countries and providing infrastructure investment through trade connectivity initiatives, China's economic footprint has increased almost around the globe. China's foreign direct investment offers an alternative to western financial institutions and conditional lending everywhere in developing countries. At the same time, the issues of debt dependence, political domination and strategic leverage have grown.

China and the Challenge to Western Liberalism. The study also reveals that the Chinese functioning system has introduced a challenge to the western liberalist ideology. Increasingly, the experience of a country like China is interpreted as proof by other states that quick economic growth is possible without a political shift to democracy. This view has undermined the role of liberal democratic values in parts of developing world and led to the rise in interest around authoritarian models of modernity.

Structural Challenges and Long-Term Risks. Despite these achievements, the results highlight the need for key structural issues in China's model. Long-term economic sustainability may be affected by the rising inequalities, demographic contraction, growing liabilities burdens, reduced productivity and global trade conflicts. Furthermore, there is a risk that political centralisation and state intervention in the future will hinder creativity, private sector confidence and technological innovation.

Discussion

Challenging Liberal Modernisation Theory. This rate of gradualist liberalisation is also a challenge to the westerners' view that capitalism is incompatible with a free political system. The notion that economic liberalisation would ultimately lead to institutions and political pluralism was propounded by liberal non-interventionist modernization theory a long time ago. The authorship of the state does not necessarily hinder economic modernisation, as China's own experience shows that it can be done in an authoritarian regime as long as the one-state structure remains intact and strong institutional capacities are maintained (Bukhari et al., 2024).

Efficient, stable, and Strategic Governance. Taking the interpretation of China's model, one can see it as a successful system in the current global competition. Supporters say China's central government allows for long-term planning, as well as speedy infrastructure construction, industrial coordination and technological advancements. The economic large-scale projects discussed in this report can be put into effect with relatively high speed and coordination within the one-party authoritarian system of China compared to many democratic systems where policy instability and political polarization can hinder implementation(Liang 2026).

Authoritarian Governance and Liberal Criticism. A more negative interpretation sees China's system of government as a threat to liberal democratic principles. However, critics say that surveillance, curtailing civil rights, censorship and repression of dissent are a violation of human rights and political freedom in China. Concerns have also emerged about the spread of authoritarian state models of control with Chinese digital technologies and governance around the world(Ko, Leung, and Ridwan 2026).

The Debate Over State Capitalism. But the issue of state capitalism continues to be a major theme of discussing China's rise. Advocates believe that a state model serves industry, calls into question the risks of external events, and allows[S] funding of critical industries like artificial intelligence, renewable energy and advanced manufacturing. Others argue that the more the government intrudes on markets, the less transparent they become, the less likely they are to generate private sector innovation, and the more inefficient they are for the economy(Moura, Lawton, and Tobin 2026).

The Belt and Road Initiative and Geopolitical Influence. The Belt and Road Initiative (BRI) exemplifies the opportunities and strategic risks of China's expansion into the world. On

the other hand, it aims to offer infrastructure investments and finance to countries which, in the past, have been underrepresented by international financial organizations. However, some others criticize the BRI as it makes the countries more dependent on China, while Beijing puts its weight to their geopolitical reach through establishing some financial linkage and strategic connectivity projects (Bukhari & Mujaddid, 2025).

The Blend of Technology and Human Authority. The Intersection of Technology and Political Power. Relevant to the technology industry, China's control over technology is another important aspect of the process of controlled liberalisation. The state is proactively promoting innovation, entrepreneurship and technological progress, but steps in when private, politically influential or economically destabilizing companies develop. This is the unique aspect of China's governing system of likewise market flexible and political controlled(Bochev 2026). International Institutions have Never Been Designed with a Multipolarism Scenario in mind. Multipolarity and Global Power Transition. Strategically more broadly, China has hastened the shift to a multipolar world. Western political and economic domination have come under pressure from China's rise and the Chinese have alternative models of development and governance. Instruct countries, increasingly turning to China for economic collaboration, infrastructure investment, and strategic cooperation, are not happy with Western requirements. For its part, China has readopted the business of governance, but it has also adopted a liberalisation path which has turned it into an international influence(Wack, Forte, and Kinlaw 2026).

Long-Term Sustainability and Strategic Uncertainty. However, it is not very clear about China's salvation for the long term. This is an issue of "difficult" in the future at least, because maintaining economic growth while increasing political control will be a more challenging task over time. The system might be thrown off balance as unemployment among the young rises, demographic challenges are felt, housing costs increase and tensions at the geopolitical table. In spite of these difficulties, the "controlled liberalisation" of China has already reshaped the current global discussions on governance, capitalism, and 21st century power transfer(Rochat and Tsouloufas 2026).

Conclusion

Controlled liberalism in China is one of the greatest political and economic changes in modern history. China has reached unprecedented heights of economic growth through a blend of reforms and a state capitalist approach, technological governance and political centralisation, keeping the government firmly in charge. In doing so, the Chinese model has run up against the western notion that economic liberalisation always translates into political democratisation. China's approach under Xi Jinping has seen the state have an increasingly robust grip on strategic industries, place a growing emphasis on digital surveillance systems and create large-scale projects like the Belt and Road Initiative. The policies have enhanced China's international influence and helped to spawn other forms of governance in international politics. The study shows that the Chinese State has achieved a delicate, yet efficient balance of market freedom and state control, and that this equilibrium can be difficult to maintain. China's governance system has transformed the world debate over development, sovereignty, governance and international order especially for developing countries looking for alternatives to the influence of the Western liberal order. Internationally, China is emerging as a factor that has quickened the pace of power transition, and compromised the prestige of liberal democratic norms. China provides an example of economic opportunities and strategic gains but also presents a series of concerns, including those focused on authoritarianism, technology and geopolitical rivalry. It was a controlled liberalisation that has affected both internal governance as well as the global political economy in China. The potential survival of this model is going to have a big impact on the ongoing international order and the growing competition between liberal democracy and authoritarian state capitalism.

Recommendations

China's State-Led Development Model. China's State-Led Development Model. Finally, the governance system should be closely studied in China to gain a deeper understanding of the impact of state-led economic planning on technological development, industrial policy and strategic competition in order to better inform policy implementation and formulation.

Implement transparency in agreements between Belt and Road. Enacting clear deals and sustainable funding models, along with mutually beneficial economic relations, in the; Belt and Road Initiative is essential for developing nations to steer clear of debt dependence.

Enhance Global Data Governance Framework(s). The role of international institutions must be reinforced in regulations on digital surveillance technologies, cyber security, artificial intelligence and data governance, with a view to safeguard privacy and human rights.

Enhance Democratic Competitiveness. To be able to ' compete with China in the world economy, industrial resilience and economic competitiveness and technological innovations should be enhanced in the democratic states.

Promote Transparency of the Chinese Economy. China should improve the transparency of the economy, the certainty and balance of market regimes to ensure sustained economic growth and boost overseas trust in the market.

Investigate Authoritarian Capitalism Further. Do More Research on Authoritarian Capitalism? The long-term viability of authoritarian capitalism and its impact on political stability, economic governance and world order should be studied further in academic circles. Support for International Economic Cooperation to Promote Economic Development. International cooperation should be enhanced to cope with geopolitical tensions under strategic competition between China and the Western powers.

Analyze Strategic Impact of Digital Governance. China's digital governance framework is a blueprint that governments and policy makers need to take seriously, especially in terms of cybersecurity, information regulation, like surveillance technologies and political freedoms.

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