

Let the Light of Opening-up Shine the Way Forward of Mankind

The history of human development has unequivocally shown that **opening-up is the only way for a country to achieve prosperity and development, a key step to its solution of contemporary problems, and also the fundamental driving force for the progress of human civilizations**. Since 2020, however, the global spread of the novel coronavirus pandemic has increased the anti-globalization momentum that had appeared since 2008, featuring higher anti-globalization voices and more frequent actions against opening-up. The world is at a crossroads. Should we move forward or backward? Should we open up or close our doors? Should we stay together to go through hard times or adopt a *beggar thy neighbor* policy? How to solve these questions is related to the real interest of each country, the common well-being of the world, and the future of the mankind.

I. History as a Mirror

Seen from the long history of the world economy, although all countries have experienced ups and downs in their development, opening-up has remained the driving force for human societies to move forward and the fundamental source for their progress.

Economic prosperity comes from opening-up to the outside world. As economic historian Angus Maddison argues in his book *The World Economy: A Millennial Perspective*, trade and capital flow are an important factor behind the social and economic growth of mankind. From Antwerp in the 16th century to Amsterdam in the 17th century, then London in the 19th century and ultimately New York in the 20th

century — foreign trade that has arisen as a result of the tapping of new trade routes had been closely related to the prosperity of these regions.

Interchange of ideas benefits greatly from opening-up to the outside world. On the ancient Silk Road, there were monks reciting scriptures and missionaries holding *Bibles*. Without learning from each other between the East and the West, China's ancient Four Great Inventions would not have found its way through the Eurasia to arrive in the West and Europe would not have started using movable type printing in 1456 to print the first book, *Gutenberg Bible*, and give rise to Western modern civilization. In the same vein, such Western ideas as science and democracy have helped accelerate the process of modernization in China and the East.

The mega-trend of peace benefits from opening-up to the outside world. As French economist Frederic Bastiat has said, when goods don't cross borders, soldiers will. The three Anglo-Dutch wars in the 17th century and the American Revolutionary War in the 18th century were all related to trade. The frequent wars between Ming Dynasty and the Northern Yuan Dynasty had gradually come to an end in North China once the border trade market, called *Quechang*, started operation, which brought about peace in the border areas. The establishment of the European Common Market has played a crucial role in putting an end to the internal divisions and conflicts in the continent that had last for centuries. **And in the post-World War II era, the continually increasing flow of goods has become the ballast stone of world peace.**

As they search for the law of historical evolution, economists have always taken openness as a major topic to study. In *Wealth of Nations*, which is the *magnum opus* of classical economics, Adam Smith argued that division of labor is the cause of greater increase in production than any other factor and described the relationship between absolute advantage and free trade. Later, David Ricardo put forward the theory of comparative advantage, which serves as the foundational principle in the theory of international trade. After that, modern economists continue to improve the theories of economics, hence came the Heckscher-Ohlin Theory, which emphasizes the importance of factor endowments for international division of labor. Meanwhile, Stephan Hymer developed the monopolistic advantage theory and came to be known as the father of foreign direct investment theory. On the basis of learning from other theories, John H. Dunning explained the eclectic theory of international production and investment development path theory and expounded the law of globalized production

development. Economists in different times have successively elaborated on the global trends of division of labor, market, goods and factors, which are valuable as they reflect the different features of their times.

Some other disciplines have also provided strong support for the openness theory. For example, the law of entropy in physics states that an open system can continually exchange energy with the outside world, causing decrease in entropy and leading to health and order; on the contrary, a closed system causes entropy increase and evolves toward disorder and dying out. Therefore, openness leads to free flow of goods, capital, personnel, knowledge and information around the world. The result is naturally that openness brings progress while closedness is set to make a country lag behind.

In terms of both theory and practice, the market economy, in essence, is an open economy and the global market economy is an open system, which is both an irrefutable fact and good expectations for the future. With great foresight, Karl Marx and Friedrich Engels said that “the bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country”, and “by creating the world market, big industry has already brought all the people of the Earth, and especially the civilized people, into such close relation with one another that none is independent of what happens to the others”. **In modern world, not only production and consumption are open in nature; spirituality and culture are also open. Even the all-round development of human being is also a product of an open world.**

II. Questions of the Times

Sunlight and shadow always co-exist. When a pushing force occurs, there is always a resisting force. Economic globalization is an irreversible historical trend, but it is also accompanied by anti-globalization forces. It is because, on the one hand, the fast scientific and technological development and the deepening of market division of labor have accelerated development of production, leading to stronger momentum for acceleration of globalization; on the other hand, the global development imbalance and widening wealth gap, coupled with a lack of an effective global economic governance mechanism, have led to increasing resistance to globalization. Meanwhile, some countries have benefited from globalization. However, due to their

ignorance of wealth gap and inefficient domestic policy adjustments, **their reform of of production relations has lagged behind the development of productivity and their “superstructure” has failed to accommodate their new “base”**, thus leading to the resurgence of nationalism and populism, which has strengthened the anti-globalization tide.

Since 2020, in particular, the novel coronavirus pandemic has spread all over the world, which has battered global production, weakened global demand, disrupted global supply, industrial and value chains, leading to rising systemic risks. A number of countries have shifted their focus inward and the localization, regionalization, securitization trends have become increasingly apparent; unilateralism and protectionism have intensified; isolationism and scapegoating have become a normality; all these have threatened free trade and the globalization process. Today’s world is undergoing great changes that have not been seen in a century, in which countries have faced common challenges and lost direction. People of vision cannot help but ask: **Should globalization move forward or backward? Should countries join hands or give up cooperation? And should any individual country, or humanity as a whole, be given priority?**

All countries are searching for answers that they think are the best to those questions. Some think the answer lies in sharing, and others think it lies in exclusiveness. Some think Pareto optimality is the best answer, and others prefer self-optimality. Some think humanity as whole should have priority over any specific country, while others think just the opposite. China has also positively offered its solution. In 2013, China’s President Xi Jinping proposed the China plan of building an *open world economy*. In 2017, Xi put forward the idea of charting the right course for economic globalization at the Davos World Economic Forum. In 2020, he proposed strengthening comprehensive international cooperation at the G20 Summit, which reflects China’s broad-mindedness in advocating the idea of helping each other and taking the whole world as one family.

Torches can light each other. Facing the anti-globalization tide, only when all the countries make efforts to broaden consensus, strengthen confidence, and take positive actions can they meet each other halfway and weather the trying times. The international community needs to increase support for globalization while overcoming resistance to it. To that end, it should adopt a two-pronged approach.

At the *international* level, openness cooperation should be strengthened among different countries to push forward equitable global economic governance and make it more development-oriented, putting emphasis on both development itself and distribution of development results. At the *national* level, countries should shoulder their own responsibilities and make efforts to solve their domestic problems; they should strengthen macroeconomic regulation and increase transfer payment to narrow domestic wealth gap and become more willing to and capable of participating in economic globalization.

All countries have the responsibility to contribute to historical progress of mankind and jointly promote the “double balance”—domestic development balance and global development balance. **Those who take a wait-and-see attitude, those who scapegoat others, and those who adopt a beggar-thy-neighbour policy will lose the world and eventually lose themselves. Those who take actions, those who are brave in shouldering their due responsibilities, and those who not only establish themselves but also help others grow and improve will achieve development and benefit the world.**

III. Development Trends of the World

“Practice enriches knowledge. More knowledge leads to better practice.” We are launching the *World Openness Report*, based on our special research, to review history, summarize what has happened, and look ahead to the future in an attempt to try to offer a panoramic view of the world’s opening-up trend, weigh the global opening-up pace, analyze the difficulties of opening-up and development, and propose solutions to promoting open-up and sharing. **It aims to help form a consensus on expanding global opening-up, gather positive energy of freedom and opening-up globally, and give rise to a benign “self-fulfilling prophecy”.**

The World Openness Index is the basis and core component of this report. How to describe the level of openness of each economy and the world economy as whole, analyze their trends, explain their causes, and explore their influence has always been the focus of attention of the political, business, academic circles and the public. Based on the wisdom and achievements of colleagues from all over the world, we researched, compiled and released this index. **The purpose of compiling it is to measure the**

openness of national economies, raise awareness of the expansion of openness of the world, provide forward-looking opening-up policy guidelines, jointly build an open world economy, promote the positive evolution of globalization, and commit to building a more open, more inclusive, joint governance-based, sharing-based, peaceful and prosperous world.

The innovation of the index lies in its methodology. It takes into account reasons and results of opening-up, and uses expert survey methods to give weights to opening-up policy and performance. While at the same time, it also takes into account both domestic opening-up and opening-up to the outside world, and coordinates both entry and exit of factors, so that it can have high representativeness and broad application prospects. The measurement scope of the index: It has two dimensions; one is opening policy, and the other is opening results or performance. It has a total of 5 sub-indicators and 29 specific indicators, covering cross-border openness in the economic, social and cultural fields in 129 economies over the 2008-2019 period.

The results of this index give us some outstanding enlightenments. **Economic growth is significantly positively correlated with development of openness. The higher the level of economic development, the higher the degree of openness. If appropriate policies are adopted, then the more open the economy is, the more developed it would be, and vice versa.** This is a clear proof that openness can “unclog arteries” to allow the world economy to prosper. It is also a warning that isolation will cause “stagnation of vital energy and blood stasis”, with the world economy stuck in difficulties.

— In terms of *level* of openness, the openness of a economy changes in accordance with its stage of economic development, especially in its high-income stage of development, where the openness index line closely matches the per capita income trend line, and the relationship between the two tends to be more stable. In 2019, the top 10 most open economies are all developed economies, with Singapore at the top of the list, followed by Germany, Hong Kong, SAR, Ireland, the United Kingdom, Switzerland, the Netherlands, France, Canada, and Malta.

— In terms of *trend* of openness, the openness index has largely begun to decline since the end of the 2008 financial crisis before rising in 2013, and then it fell again significantly. The openness index of most economies has risen, while that of some economies, especially some advanced economies, has fallen sharply. From 2008 to

2019, 102 out of 129 economies, or 79.1%, had achieved a higher level of openness. However, some of the other economies, especially some advanced economies witnessed big decreases in their openness. For example, the openness of the United States decreased by 17.8 percent.

— In terms of *regional* openness, Europe and Central Asia have the highest level of openness, followed by North America, East Asia and the Pacific Region, Latin America and the Caribbean (LAC), the Middle East and North Africa, South Asia, and Sub-Saharan Africa. From 2008 to 2019, The Americas fell back in term of openness, of which the openness index of North America decreased by 16.3 percent. However, the openness of other regions had been expanding, offsetting the decline in Americas.

— In terms of openness *appropriateness*, the optimal openness is reflected in balanced openness, that is, the degree of openness of a country should match its basic national conditions and development stages. For example, the openness index of developed countries should at least reach 0.75 as the optimal degree of openness, while that of developing countries would be deemed high if it can fall between 0.6 and 0.7. There are both opportunities and challenges as a result of openness expansion. If a country wants to gain from its openness, it needs to strike a balance between its level of openness and development level, between pace of opening-up and competitiveness improvement, between capabilities of opening-up and capabilities of governance, between ability to properly implement opening-up and ability to shoulder its due responsibility, and between gains from opening-up and inclusiveness and sharing; a “golden junction” should be pursued in different periods and at different levels of development.

At present, interests of different countries have been increasingly divided, trade liberalization has suffered setbacks, free flow of capital has been blocked, the international economic and trade rules have become fragmented, the global governance system has lagged behind the times, and multilateralism and trade and investment liberalization have faced challenges. This report has tried to study the above-mentioned issues with a long historical lens focusing on the “great changes unseen in a century” and come to the conclusion that **the common prosperity of the world would not become a reality without common opening-up; the world has a great potential in opening-up, and an opening-up featuring “harmony in diversity” should be promoted; major powers should take the lead in opening-up and take pro-active**

steps to carry the banner of global opening-up, so that the world can step out of the “prisoner’s dilemma” to achieve stable and long-term opening-up.

— **Developed economies should be tolerant and inclusive, deal with their internal affairs in an innovative fashion, and play an exemplary role as they carry out opening-up.** As an old saying has it, “the one who complains about fault of others would not fare well, and the one who blames himself for an undesirable situation would fare smoothly.” The advanced economies should look inward at their own problems instead of scapegoating others if they want to overcome their economic development predicament. They should make use of their internal restructuring to root out the problem of unbalanced development, take a leading role in promoting the openness of the world, and use their own openness to drive the process of global openness.

— **Emerging economies need to rely on innovation and cooperation, economic restructuring and upgrading, and greater emphasis on sharing to promote their opening-up.** They need to continue to tap the potential of North-South openness cooperation, rely on technological progress and industrial upgrading, cultivate dynamic comparative advantages, promote high-quality development with greater openness, overcome the “middle-income trap”, and shoulder more appropriate and reasonable international responsibilities.

— **Developing countries should take a path of opening-up based on their national conditions, actively participate in the process, and make good use of their strengths while solving their existing problems.** They should commit to fostering of opening-up capacities. While they rely on “blood transfusion” (external support), they should also make more efforts to improve their ability to develop independently to get rid of their dependence on the existing development patterns and bring out their strength to integrate into the global market network and strive for greater international development space.

“If you are open to each other, you will progress together, and if the border is closed, all will regress.” **The development predicament of the world is not caused by opening-up. On the contrary, it requires greater opening-up to overcome it. The general direction of economic globalization has not changed; rather, the economic globalization has entered a new stage, where it undergoes adjustments and build up momentum, before starting to move forward again. This is not only a prediction, but also a vision. It is the only way for the world to get out of the**

zero-sum game and move toward a virtuous circle of development.

IV. China's Path

China has swayed between opening-up and closed-door policies during the past 180 years. It had shut its door to the outside world at the end of the Qing Dynasty and was bullied by Western powers. Then it had explored multiple ways of stepping out of the difficulties, until the founding of the People's Republic of China in 1949. After that, it had suffered from blockage from Western powers and isolated itself from the outside world, before it initiated the "Reform and Opening-up" drive after the 3rd Plenary Session of the 11th CPC Central Committee. In 2001, it joined the WTO, starting its institutional Opening-up. China's historical vicissitudes have proved that "Opening-up is a key move for China's development." Today, China has made breakthroughs and substantial progress in integrating into the world economy. Since the 18th CPC National Congress in 2012, China has been very inclusive in adapting to international economic and trade rules and further integrated into the process of globalization, thus embarking on a new journey that is led by concept of opening-up and development and marked by the Belt and Road Initiative, free trade areas and ports, and the Shanghai International Import Expo.

China has, whenever it comes to a critical juncture in history, made efforts to eliminate many obstacles and resolutely and unswervingly opened up to the outside world. This can be seen throughout the country's Opening-up history, whether in its decision to "open up the country for construction" more than 40 years ago, or its decision to take the path of market economy nearly 30 years ago; whether its decision to join the WTO nearly 20 years ago, or its decision to promote higher-level Opening-up to the outside world today. **China's opening-up to the outside world features "commonality", which is reflected by its integration into the economic globalization and world economy; at the same time, it also features "diversity", which is reflected by its opening-up pace based on its development stage and national conditions. It is an independent opening-up process as it "seeks common ground while preserving diversity"**. China's opening-up to the outside world has inherited the cultural genes of openness and tolerance in the Chinese civilization, advocating philosophies such as harmony in diversity, helping others while establishing

oneself, harmony of all nations, and the whole world being a family. China's future opening-up will exclude zero-sum game, promote well-being of all nations, encourage exchanges and mutual learning, and advocate all nations cherish their own culture and values and join hands to build a harmonious world.

China's opening-up has been based on its efforts to actively learn from the West without blindly copying its model and actively participate in globalization without ignoring its own national conditions. It has opted to build a market economy without deviating from socialism, and integrate into the world without failing to stick to its own path. Therefore, **China has taken a path that combines independent development and opening-up in an appropriate manner.** It has strengthened the integration of internal and external links to quickly transform pressure arising from Opening-up into a driving force for reform, and made use of the external pressure to help domestic development and promote its own interest. In this way, **it has embarked on a road of combining internal Reform and Opening-up to the external world in an appropriate manner.** China has made efforts to promote global openness through carrying out its own opening-up, which is a reflection of the philosophy that when a country develops, it should also play its role in promoting global development. By promoting its own development to contribute to the world, **China has found a way to combine its own development and that of the world in an appropriate manner,** which reflects the **successful interaction between the world's general development and China's own national conditions.**

China's initiative to open up to the outside world has led the country to become an important beneficiary of globalization; moreover, it has also made China an important contributor to globalization. **China's opening-up has provided the world economy with stronger growth momentum,** contributing more than 30% of the world's economic growth, thus becoming a main stabilizer and driving force for the world economy. **China's opening-up has ensured that the global development is more inclusive,** adheres to multilateralism and common development, and is committed to allowing different countries, different classes, and different groups of people to share the benefits of economic globalization. **China's opening-up has improved fairness of global governance.** It has contributed China wisdom to the building of a fairer and more equitable international economic order on the international arena, such as the WTO, the Group of Twenty (G20), and the BRICS. China's door to opening-up will

open wider and wider. On its new journey of building a socialist modern country in an all-round way, China has adapted to the new situation and requirements and proposed the building of a new development pattern of “dual circulation”, in which domestic and foreign markets reinforce each other, with the domestic market as the mainstay. This is by no means a closed domestic circulation, but a more open “dual circulation” featuring focus on both domestic and international markets. Such a new pattern will not only cater to China’s own development needs, but also bring more benefits to people of other countries.

Today, China is embracing a new historical starting point, which will also mark the start of deepening interaction between China and the outside world, with China pursuing higher levels of opening-up to the outside world. Given the starting point, we have, based on China’s new development stage, its implementation of the new development philosophy, and its building of a new development pattern, put forward some predictions and suggestions on promotion of a higher level of openness and high-quality development. In the future, China and the outside world will engage in mutual learning, and have an increasing influence on each other. How to bring out its open and inclusive national endowment, accomplish the great task of national rejuvenation while the world is going through major changes unseen in a century, promote the domestic and international “dual circulation”, and achieve a benign interaction between China and the outside world — It requires us to get united and make utmost efforts to accomplish those tasks.

Today, what the world needs is a firm belief in openness, inclusiveness, and win-win cooperation; what it needs is benign rather than ill-will predictions; and what it needs is openness, cooperation and self-fulfilment, not self-fulfilment of a “New Cold War” or Thucydides’s trap. We hope that the annual release of the *World Openness Report* can stimulate deeper thinking, gather more consensus, form greater synergy, promote expansion of openness of all countries in the world, improve people’s living standards, better ensure world peace, and allow our human society to join hands to improve the well-being of the whole world.