



Figure 3-14 Openness and Economic Size, 2019, by Three Categories

Note: The size of national economy is measured by current price GDP (unit: 100mn USD).

III. Optimal Level of Openness

What is the best or optimal level of openness? From the distribution of the openness indexes of measured economies in this report, the openness of a country is highly correlated with its level of economic development, but it does not show a completely linear incremental relationship. Given the complexity of the openness-development relationship, it is not easy to find the optimal level of openness. Both relevant theories and practices show that **the optimal openness should be the appropriate openness, and the appropriate openness is reflected in balanced openness.**

The appropriateness of openness should be examined from static and dynamic perspectives as well as passive and active perspectives. First, in a static system where all variables are in the same period, openness interacts with multiple influencing factors or variables, and, from a mathematical point of view, it must be convergent. If it diverges, it will inevitably lead to disorder and chaos. The converging point as a result of the interaction of many variables is the static equilibrium point of openness. Second,

in an economic system, variables would change over time, and there will be a series of *golden junctions* in different periods of time and at different levels of development. **Such dynamic equilibrium state highlights the matching of openness with development stage.** Seen from the law of development, things are always in motion, and openness balance can only be achieved in dynamics. Third, from a philosophical perspective of *agency*, openness should reflect the mega-trend of human development, guiding and facilitating movement to a higher level of equilibrium. What is emphasized here is the role of openness ideas in guiding the objective world, the force of openness practices in pushing forward the development of the objective world, and pro-active efforts to transform the objective world.

Specifically, in working out theories and taking practical measures to promote openness, **relevant countries need to attach importance to the connotation of balance in the following aspects.**

First, it is the **balance between the level of openness and the level of development.** Seen from annual cross-sectional data of different economies, it can be found that economies with high GDP per capita are relatively open. Although the performances of large economies and small economies vary, there is generally a positive correlation between openness and the level of development, which is in line with the law of economic development. Both excessive openness and conservativeness that are not commensurate with the level of development deviate from equilibrium, and are likely to cause development disorder and social conflict. The openness of one economy in any field can incur costs and produce benefits, and there must be an equilibrium between the two, that is, the marginal cost of openness equals its marginal benefit to fix the optimal tariff level and the optimal level of capital protection, among others. **One economy should not have its *hands and feet bound* in expanding openness. The old-fashioned mindset, the hurdles erected by vested interest groups, and excessively conservative stance in pursuing openness will all prevent the demand for development from being unleashed, leading to loss of international space for its development and opportunities for participating in globalization. At the same time, one economy should not be blind and reckless or excessively bold in pursuing opening-up. Comprehensive and complete openness, like *eliminating window screens to allow in mosquitoes*, will not help the economy promote development and optimize well-being of its people. Therefore, one economy's openness must adapt to its level**

of development.

Second, it is **the balance between openness progress and improvement in competitiveness. opening-up should not be unconditional. The level of openness should match improvement in industrial capabilities. The realization of such a balance is a complex process and also one of dynamic adjustment.** Developing countries that are undergoing the process of economic take-off need to formulate opening-up strategies based on its economic development. The key is to improve their *internal strength*, promote good practices and weed out corrupt ones, and push for utilization, transformation and upgrading of their comparative advantages. **Openness without capacity improvement will not go far, and competitiveness without dynamic openness is difficult to maintain.** Once a country's learning ability improves and its productivity develops, the previously adopted protective policies would have to be liberalized even abandoned, which is beneficial to all parties.

Third, it is the **balance between capacity of openness and capacity of governance.** The results of similar Opening-up policies in different economies vary significantly. *Oranges grown south of the Huai River are tasteful oranges; once transplanted to the north of the river, they become trifoliate oranges* (although they resemble in the shape of leaves, yet they differ widely in taste). This saying reflects the importance of one economy's openness capacity adapting to and match its level of governance. The governance of a nation can be compared to *water which has no fixed forms but can adapt to all forms.* **One economy's openness policy needs to adapt to the soft power constraints of governance level and capacity. Meanwhile, domestic systems and mechanisms in various fields also need to be continuously improved so that modernized governance can meet the requirements of development of an open economy in reality.** Since the establishment of the WTO, among the more than 30 new member states, some have seized the opportunity to develop rapidly, while others have failed to achieve significant progress. The key lies in whether their openness can match their national capacity and whether a proper balance can be struck between the two factors. Judging from the openness-oriented development experiences of late-comer countries, openness and reform should move forward at a similar pace and reform should be promoted through opening-up, so that their governance can be continuously improved and they can continually pursue high levels of openness to create a benign dynamic balance.

Fourth, it is the **balance between strength of openness and shouldering of responsibility**. In the face of international governance deficits, the openness of **one economy especially one large economy must *develop ourselves to help others and promote the well-being of the world* so as to achieve both its national development and development of the world as a whole**. All countries should promote their own opening-up and strengthen their ability to carry out opening-up policies, while shouldering their duty and demonstrating their sense of responsibility, and playing their role in pushing forward the establishment of a fair and equitable international order. The developed countries and major powers should make more efforts to closely combine their self-development and the build-up of an open world. They should voluntarily and pro-actively take the responsibility of promoting openness and development of the world economy, **expand their own openness to make the world more open, provide public goods for the international community, actively guide globalization in the right direction, and push forward the establishment of a fairer and more equitable international governance system**.

Last but not least, it is the **balance between openness benefits and inclusiveness plus sharing**. Openness aims to promote development, and its fundamental purpose is to improve people's livelihood and well-being. At present, the world's Gini coefficient has reached 0.7, far higher than the international warning line of 0.6. Global development is excessively unbalanced, and peace remains an unattainable goal of the world. More developing countries need to open up and actively participate in the division of labor in the global value chain to bridge their development gap. If a country's development is excessively unbalanced, the society would be easily trapped in turbulence; therefore, its domestic policy adjustment need to be strengthened to resolve the problem of wealth gap as a result of its opening-up. **All economies need to work together to build a cooperative-game mindset, abandon the zero-sum game mindset. And, as they open up, treat each other equally and join hands to promote global co-governance, so as to promote more comprehensive and balanced openness, continually expand and distribute the *cake of development*, achieve the Pareto optimality, and usher in a bright future for mankind**.

We as human beings have had a long openness history, but the openness based on a world market is still a phenomenon that has only occurred since the 1990s, and it has only been more than 30 years so far. In today's world, cross-border openness remains

the trend of the times. Different from economic openness, social and cultural openness involves the transnational movement of people, which is restricted by factors such as transportation, culture, language, among others, and therefore, cannot be as smooth as trade in goods. As a result, social and cultural openness is far from reaching the optimal level of openness. Increased openness means improved social well-being, and a higher level of openness is a goal that any economy should pursue. At the same time, it is necessary to ensure that one economy's level of openness should match the conditions of its economic and social development; the level and performance of openness should, therefore, be evaluated from the perspective of openness appropriateness.

IV. Main Conclusions

The openness index provides a clear description of the level of openness and dynamic trends of the world's major economies, serving as a reference path for choosing the most rational openness policies.

First, **the world still has a great openness potential**. In 2019, the highest openness index reading of a single economy is 0.8646 (Singapore), which is not only lower than the highest reading on the list (0.9328), but also significantly lower than the theoretical upper limit (1). In fact, in terms of cross-border personnel openness (in the social field) and information, knowledge and technology openness (in the cultural field) measured by this index, the economies still have an even greater potential in cross-border openness.

Second, **expanding openness is in the common interest of mankind**. The previous analysis in this report shows that one economy's economic development or growth (which accumulates to form economic scale) is positively correlated with openness, although this positive correlation will become stronger or weaker, or become looser or closer, due to the heterogeneity of the economy (such as development stage, policy choices, population, geographic location, among others). The more open one economy is, the more developed it becomes. This is an indisputable fact, and we should be full of confidence in the prospect of the world's openness in the future.

Third, **one economy should follow the principle of *seeking truth from facts as it opens up***. Appropriate openness means balanced opening. It is not that the greater