III. Achievements of Trade and Investment Opening-up Cooperation

Over the past few decades, countries have actively participated in and promoted opening-up cooperation in trade and investment. The rapid development of international trade and investment has led to the steady growth of the world economy and also contributed to world peace.

1. Leapfrog development of international trade

Expanding scale of trade in goods. From 1990 to 2019, the total international trade in goods increased from \$7.1 trillion to \$38.1 trillion, an increase of 4.4 times, with an average annual growth rate of 9.8%, and its ration to global GDP increased from 31.3% to 44%. Due to the impact of the novel coronavirus pandemic in 2020, the World Trade Organization predicted that the total international trade in goods would fall by 9.2%. With the development of science and technology worldwide and the rising level of industrialization, the share of trade in manufactured goods had risen, while that of trade in agricultural and primary products had declined. Before the World War II, the share of trade in manufactured goods in international trade in goods was only about 40%. In 1953, it exceeded 50%. In 1995, it reached the peak of 80%, and it is currently kept at about 70%.

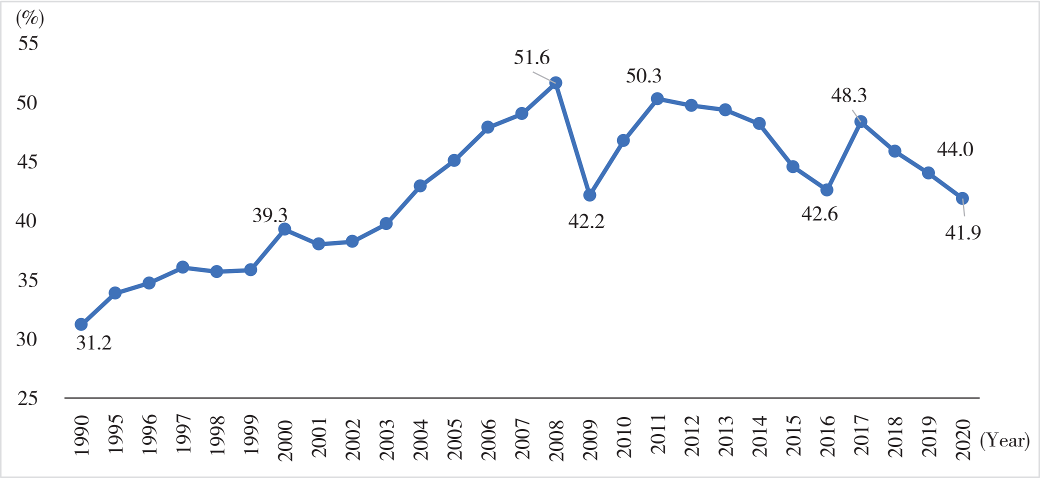

Figure 6-4 Global Trade in Goods to GDP Ratio

Source: WTO.

Rapid growth of service trade. From 1990 to 2019, the total international trade in services increased from \$1.6 trillion to \$11.8 trillion, an increase of 6.4 times, with an average annual growth rate of 11.7%, and its share in international trade rose from 18.5% to 23.6%. In terms of components of trade in services, emerging service trade and technical service trade have developed rapidly. Construction, insurance and pension, finance, information technology services, intellectual property rights, culture, entertainment, and business service, and other commercial services trade has become dominant, accounting for 53.2% of the total international service trade in 2019, up from 37.2% in 1990.

Entrenched trend of *rising South and falling North*. From the end of World War Ⅱ to the 1990s, the international trade had been dominated by the developed countries, or the North. The share of the developed countries' international merchandise export had been on the rise since the 1950s, reaching an all-time high of 72% in 1999. From 2000 to 2019, the share had fallen year by year to hit 54%, while that of the developing countries, or the South, had climbed from 30% to 46%. The overall trade landscape features a trend of "rising South and falling North". While the share of the developing countries' international merchandise export rose by 18 percentages, that of the developed countries had dropped by 18 percentages, with their balance shifting from 28:72 to 46:54. China joined the WTO in 2001 and its global share in export of goods

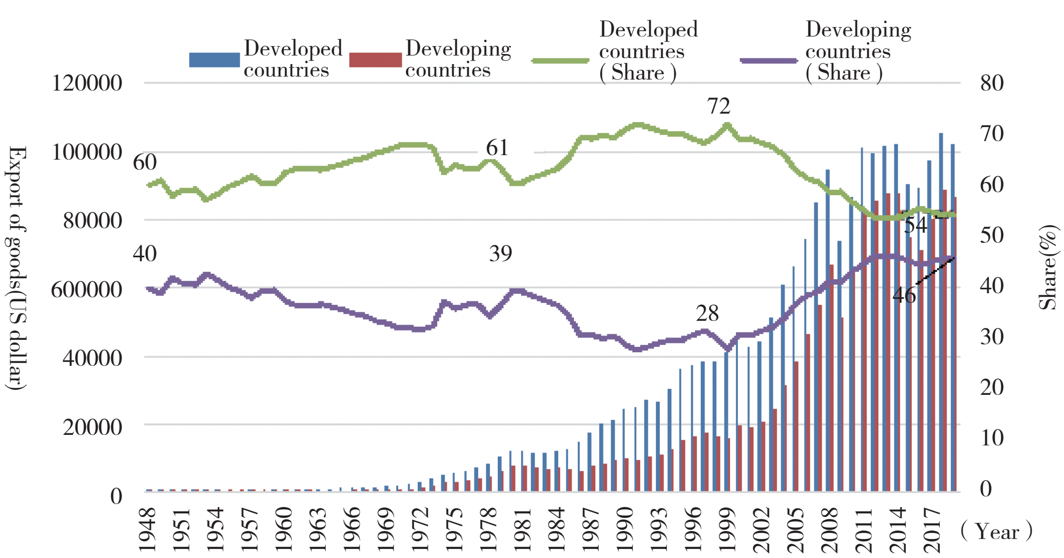

Figure 6-5 Value of Export of Goods and Share Changes of the Developed and Developing Countries and Changes

Source: WTO.

had increased rapidly from less than 4% in 2000 to 13.2% in 2019.

Significant innovations in trading methods. First, it is the rapid development of intra-product trade. In the international industrial chain, the developing countries generally engage in the midstream links, such as product processing and assembly, while the developed countries focus on upstream and downstream links, such as product research and development, design, and sales. Currently, trade in intermediate goods has accounted for two-thirds of the total international trade. Second, trade within multinationals has become increasingly important. In the 1970s, the internal trade of multinationals only accounted for 20% of total international trade. It rose to 40% in the 1980s and 1990s, and now it is about 80%. Last but not least, it is the sudden rise of e-commerce. E-commerce has made it easier for carrying out international trade. It has also helped reduce the cost of international trade development. Statistics from the United Nations Conference on Trade and Development show that the scale of global e-commerce had increased from $1 trillion in 2012 to $25.6 trillion from 2018.

2. Growth of international direct investment amid fluctuations

Investment scale gradually expanding. After the end of the Cold War, international direct investment activities had increased remarkably. From 1990 to 2007, the total global FDI flows increased from $204.9 billion to $1.89 trillion, with an average annual growth rate of 8%. In the wake of the outbreak of the financial crisis in 2008, the momentum of global FDI growth had weakened in volatility. In 2015, it surged to $2.03 trillion. From 2016 to 2018, global FDI flows decreased year by year, down by 5.7%, 22% and 5.8%, respectively. In 2019, it rebounded to $1.54 trillion. Due to the impact of the novel coronavirus pandemic, global FDI flows slumped by 34.7% to $998.9 billion in 2020.

More balanced geographical distribution. In terms of global FDI outflows, the proportion of the developed economies after World War II dropped from over 90% to about 70% at present. In terms of inflows, the developing countries attracted more foreign investment than the developed countries in 2012. In 2018, the developing countries accounted for a record 54% of global FDI inflows. The developing countries in Asia and Latin America and the Caribbean (LAC) have become hotspots in terms of foreign investment inflows, accounting for 41% and 11% of global FDI inflows,

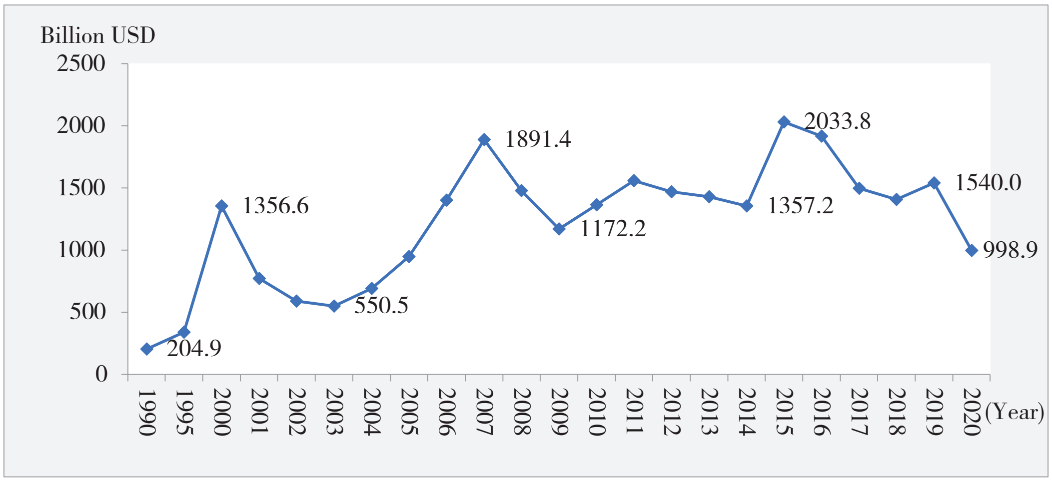

Figure 6-6 Global FDI Flows

Source: UNCTAD.

respectively, in 2018. In 2020, FDI flows to East Asia increased by 21% to $292 billion, while that to China was $149.3 billion, contributing 15 percent to the world total.

Adjustments of international direct investment structure. International direct investment has shifted mainly from mining and manufacturing industries to technology-intensive and service industries. After World War II until the 1980s, direct investment among the developed countries mainly flowed into manufacturing. Since the 1980s, direct investment in the services industry had gradually increased. The share of FDI stock in the services industry increased from about 25% in the early 1970s to more than 60% at present. The FDI stock in the primary sectors is only about 6% and manufacturing accounts for about 26%.

Prominent role of multinational companies. Statistics from UNCTAD show that the number of multinationals increased from 80,000 before the 2008 global financial crisis to about 100,000 after the crisis, and the value added they created increased from $5.2 trillion to $7.5 trillion, and its share in global GDP increased to more than 10%. In 2019, the world's top 100 multinationals accounted for 58% of the total overseas assets of all multinationals; the proportion was 60 percent in terms of overseas sales, and 51% in terms of the number of overseas employees. It is estimated that the top 100 multinationals currently hold about $5 trillion in cash and are capable of providing $0.5 trillion in investment, accounting for about one-third of global FDI flows.

3. Pushing forward economic globalization

As the number of countries participating in international trade and investment increases, the world economy continues to grow steadily and in a balanced manner. In most of the years since World War Ⅱ,the growth rate of international trade has been about 3 percentages faster than that of the world economy. Since 1990, the growth rate of international trade has been about twice that of the world economy. The world Gini coefficient has steadily declined from a high of 0.787 in 2000 to hit 0.694 in 2013. The number of developing countries with high Gini coefficient has decreased. According to the World Bank's World Development Report, the Gini coefficient exceeded 0.6 in 4 countries in 2009, but now there is only one country with the coefficient higher than 0.6. In addition, international trade and investment have extended the global industrial, value, and supply chains. As a result, personnel exchanges have increased, so have exchanges among different civilizations; and economic and trade exchanges have become the ballast of inter-national relations. In short, the development of international trade and investment has led to the interdependence of different countries and the deepening of interactions among different interests; promotion of economic globalization contributes to world peace and stability.

IV. New Progress in Promoting Trade and Investment Opening-up under the New Situation

At present, the openness cooperation in global trade and investment have entered a new stage. More and more countries are benefiting from openness cooperation. A higher level of openness has become the common pursuit of all countries. With the continuous emergence of new technologies and products, demand for openness cooperation in new areas has also been increasing.

1. Digital trade and new issues on e-commerce attracting attention

With the application of big data, cloud computing, internet of things, blockchain, and artificial intelligence, digital economy and digital trade have become a new growth point. The establishment of a global digital trade service supervision and openness rule system has become a common demand from almost all countries as they pursue openness cooperation in new areas. In 2019, 76 WTO members launched trade-related e-commerce negotiations. In regional bilateral negotiations, digital trade