

## **Chapter VIII**

# **Fostering a New Development Paradigm through High-Level Opening-up**

China accelerates the construction of a new development paradigm, with domestic cycle as the mainstay and domestic and international cycles reinforcing each other. It is China's strategic choice to tackle major changes *unseen in a century* and realize the great rejuvenation of the Chinese nation. It is a systematic and deep-level reform that concerns the nation's overall interest. It is another major theoretical achievement of Xi Jinping Economic Thought on Socialism with Chinese Characteristics for a New Era.

### **I. New Development Paradigm Set to Be the Choice in the New Development Phase**

Since the 18<sup>th</sup> National Congress of the Communist Party of China, in accordance with the new situation that economic development has entered a stage of new normal, China has adhered to the new development concept of innovation, coordination, greenness, openness, and sharing, and promoted the supply-side structural reform. At present, facing the internal and international imperatives, China, based on the new development phase, fully, accurately and comprehensively implements the new development concept, and accelerates the construction of a new development paradigm. This is the progressive deepening of the supply-side structural reform. It is also the new version of previous development strategies after they are merged and upgraded. therefore, it carries great practical and far-reaching historical significance.

### 1. Inevitable requirement for building a modern socialist country

China has embarked on a new journey of building a modern socialist country in an all-round way and it is marching towards the second centenary goal. From an international perspective, it is a universal law for major economies that domestic demand is the main driving force for economic development. In 2020, the US' foreign trade dependency is only 18.2%. It is 25.6% in Japan. In China, it was 31.5%, still at a relatively high level compared with developed countries. From a domestic perspective, China's growth momentum is undergoing changes and is increasingly dependent on domestic demand. In 2020, China's final consumption rate is close to 55%, which is 11.2 percentages higher than the total capital formation ratio, but it is still about 20 percentages lower than the world average, and there is still much room for improvement. The supply of high-quality goods is insufficient in China. In 2019, Chinese residents' overseas consumption reaches 1.7 trillion yuan, but high-quality medical, education, and elderly care services cannot meet the demand. Therefore, it is in line with the objective laws of economic development and historically inevitable to accelerate the construction of a new development paradigm, increase the autonomy of economic development, and keep up with the times and raise the level of economic development.

### 2. Strategic choice for coping with major changes unseen in a century

The world today is undergoing major changes *unseen in a century*. **Uncertainty in external demand has increased.** After the 2008 global financial crisis, the external environment has changed for the worse. The growth rate of international trade was twice the economic growth rate of the world in the past; now it is lower than economic growth. International investment has been largely on the decline amid fluctuations. After the outbreak of the novel coronavirus pandemic in 2020, backlash against economic globalization has increased, and the momentum of the international cycle has significantly weakened. In 2020, the world economy shrank by 3.3%, global trade in goods dropped by 7.6%, trade in services fell by 19%, and foreign direct investment decreased by 42%.

**International competitiveness needs to be continually enhanced.** China's traditional advantages, such as population, land, and resources, have weakened. And it is yet to develop and have new advantages, such as innovation, management, and

standards. China faces an greater pressure of stabilizing the industrial and supply chains. The reshaping of the global industrial and supply chains has accelerated, the challenges brought by anti-globalization movement have increased, and the external environment is becoming complex and changeable. Therefore, it is more urgent to improve the resilience and security of the industrial and supply chains. China needs to accelerate the construction of a new development paradigm to help foster its new advantages in international cooperation and competition, increase leeway for economic maneuvers, and protect its economic security.

### **Box 8-1 Role of Standards in International Economic and Trade Cooperation**

As the world's "universal language", standards are the passport of international trade. Countries in the world attach great importance to standardization cooperation and exchanges, as well as the application of standards to carry out international economic and trade exchanges, such as production capacity cooperation and technical exchanges.

China has actively promoted the adoption of international standards, especially in more than 40 industries such as machinery, chemical industry, light industry, and electronics. It has formed a relatively complete standard adoption system, which has effectively promoted the development of foreign trade. At the same time, it also actively participates in the formulation of international standards, especially in the fields of home appliances, UHV power transmission, information technology, traditional Chinese medicine, apparels, among others, actively submitting standard proposals to the International Organization for Standardization, and making its contribution to the improvement of international trade rules in relevant fields.

In order to promote the implementation of the BRI, China has engaged in extensive cooperation and exchanges with the International Organization for Standardization and standards organizations of countries involved in the BRI. By the end of 2019, China's Standardization Administration had signed 97 multilateral and bilateral standardization cooperation documents with 54 countries, regional standardization agencies and international organizations.

### **3. Only path to promoting the building of a community with a shared future for mankind**

Human beings live in the same global village and are increasingly becoming an intimate community of a shared future where people engage in close interaction. The historical trend of economic globalization is irreversible. The world as a global village is highly interconnected, and the economies of all countries are deeply integrated and share a common future. It is impossible for any country to develop behind closed doors, which, from an objective perspective, requires the domestic and international dual cycles to reinforce each other. The international community has had significantly higher expectations towards China. China has a large economy and it is among the world's leaders in terms of major economic indicators. It is a major trading partner of more than 120 countries. The international demand for cooperation with China is even greater. China should take the opportunity to proactively push forward opening-up to promote a common future of the world, and expand the world's openness through China's own opening-up. As a single large market with a population of 1.4 billion, China should proactively expand opening-up and push forward free trade, which will help promote interaction between China and the rest of the world, so that close cooperation can lead to improving wellbeing of both China and other countries. China will accelerate the construction of a new development paradigm, promote win-win cooperation with the rest of the world, and demonstrate its responsibility instead of pursuing success without helping others to succeed. It is conducive to the world sharing China's development dividends and promoting common development.

## **II. Expanding Domestic Consumption to Foster A Powerful Domestic Market**

Accelerating the cultivation of a complete domestic demand system is a major scientific judgment and strategic choice made by the Party Central Committee, which has profound insights into the general trend of domestic and international development. It highlights the importance and urgency of adhering to expansion of domestic demand. It is a must for China to form a powerful domestic market and shift to a development strategy based on the domestic cycle.