

## **Chapter 10 High-Level Opening-Up under the New Development Paradigm**

In the era of economic globalization, internal and external circulations are deeply integrated and cannot be separated. Profound changes in the domestic and international environment have brought a series of new opportunities as well as new challenges. Only by opening up at a high level can China keep pace with the trend of the times and win the initiative for development. The more China develops, the wider it will be open to the outside. As China opens its door even wider, to promote high-level opening-up is an inevitable choice for it to build a new development pattern.

### **I. Historic Progress Achieved in Opening-up over the Past Decade**

Over the past decade, China has always adhered to the basic state policy of opening-up, implementing a more proactive opening-up strategy and promoting the formation of a new pattern of comprehensive opening-up. The cause of opening-up has made historic strides and changes, and remarkable achievements have been scored. China has gone all out to promote high-quality trade development, integrating the strategies of “bringing in” and “going out”, and promoting high-quality Belt and Road cooperation. It has accelerated the building of a network of high-standard free trade areas, and continuously improved its ability to participate in global economic governance, making itself a major stabilizer and driving force of world economic growth.

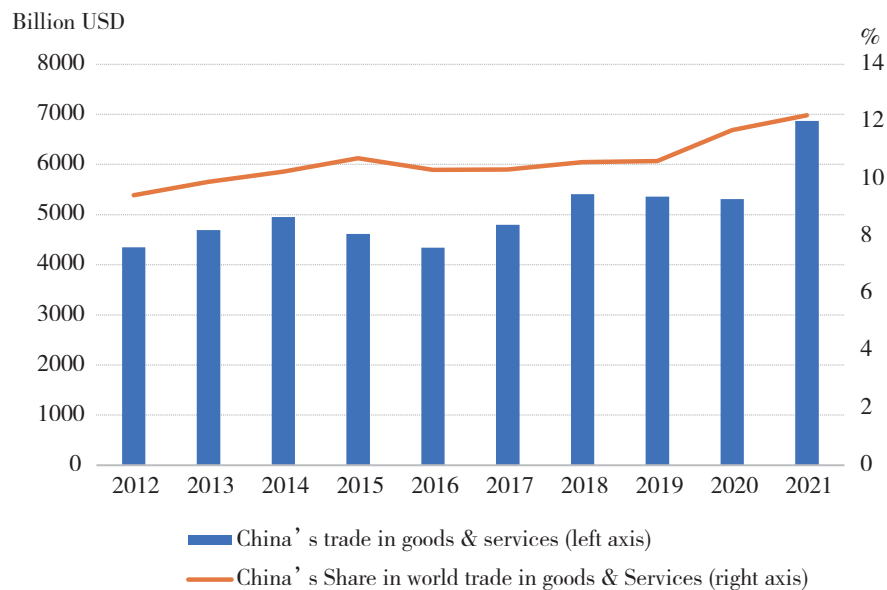
#### **1. Greater consolidation of the status as a major trading power**

Over the past ten years, China has accelerated high-quality development of its

foreign trade, promoted a continuous increase in the scale and quality of foreign trade, promoted its position in the global industrial and supply chains to be stable, and played an important role in the development of the national economy and the recovery of the world economy.

#### a. Total trade in goods and services rising to the world's largest

From 2012 to 2021, China's total trade in goods and services increased from \$4.35 trillion to \$6.87 trillion, with the proportion to the world's total increasing from 9.4% to 12.2%, and the ranking in the world rising from the second to the first. Of the total volume, the import and export value in goods increased from \$3.87 trillion to \$6.05 trillion. Since 2017, China has remained the world's largest country in goods trade for five consecutive years. The import and export value of trade in services increased from \$0.48 trillion to \$0.82 trillion during the same period, rising from the third to the second place in the world.



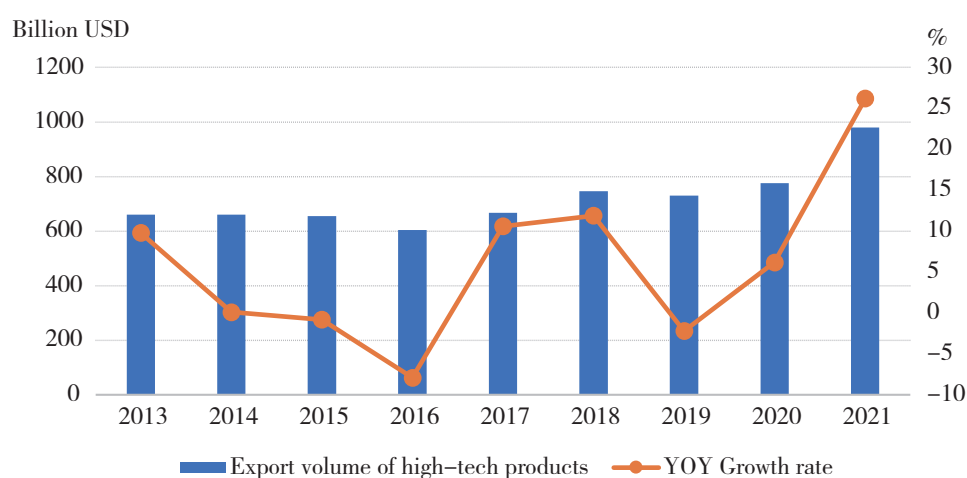
**Fig. 10.1** China's trade in goods and services and the share in the world, 2012-2021

Source: WTO.

#### b. Remarkable results in the high-quality development of trade in goods

The domestic regional layout is more optimized, and the proportion of the central and western regions in exports in 2021 increased by 5.9 percentages compared with 2012. The commodity structure is continuously optimized, and high-tech and high-value-added products such as automobiles and ships have gradually become

new growth points. The innovation in trade has achieved remarkable results, and new trade formats and models such as cross-border e-commerce have emerged continuously. The market diversification has achieved positive results, actively expanding emerging markets such as Asia, Latin America and Africa, and signing 19 free trade agreements with 26 countries and regions. The foreign trade business entities are more dynamic, and the number of business entities has increased by 1.7 times during the same period.

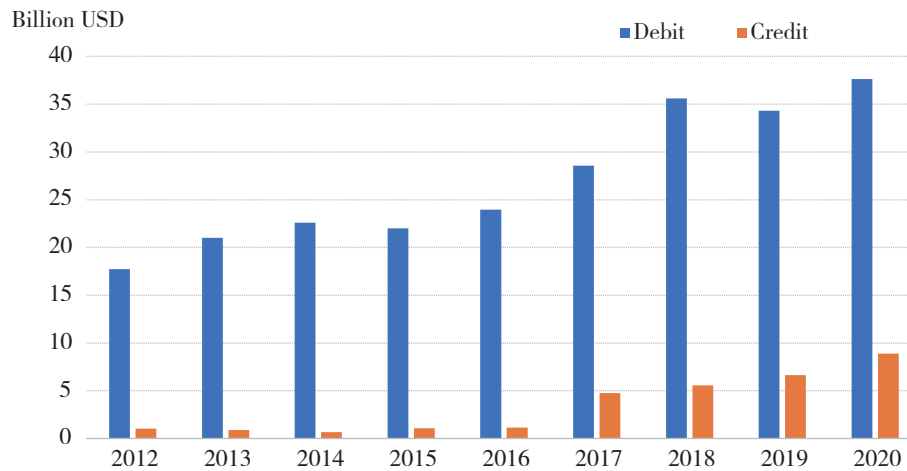


**Fig. 10.2 China's high-tech product export and growth rate, 2013-2021**

Source: The Ministry of Commerce of China.

### c. Innovative development of trade in services

Over the past decade, China's service import and export have increased significantly, with the structure of service trade being optimized at a faster pace, and the development of knowledge-intensive trade in services, such as intellectual property royalties, telecommunications, computers and information services, has in particular accelerated. In 2021, China's import and export of knowledge-intensive services reached 2,325.89 billion yuan, accounting for 43.9% of its total trade in services. In particular, the import and export of intellectual property royalties have increased by 1.5 times over the past decade, with the import increasing from \$17.75 billion in 2012 to \$37.63 billion in 2021, and the export increasing from \$1.04 billion in 2012 to \$8.88 billion in 2021.



**Fig. 10.3** China's Charges for the use of intellectual property, 2012-2020

Source: WTO.

## 2. A significant increase in the level of two-way investment

Over the past decade, China's two-way investment has grown steadily, the level of both foreign investment utilization and outward foreign direct investment have continuously improved, and an overall balance between the use of foreign investment and OFDI has been achieved. From attaching importance to "bringing in" to attaching importance to both "bringing in" and "going global", China has actively participated in the layout of the global industrial chain and the allocation of global resources.

### a. Two-way investment ranks among the largest in the world

Over the past decade, China has fully implemented national treatment for foreign-invested enterprises and worked hard to create a stable, fair, transparent and predictable business environment. As a result, the level of China's foreign investment utilization has continued to improve, ranking second in the world for four consecutive years since 2017, and the amount of foreign investment utilization in 2021 increased by 62.9% compared with 2012. China has also accelerated its pace of going global, promoted steady development of overseas investment and cooperation, and guided more than 40000 enterprises to invest abroad in 189 countries around the world.

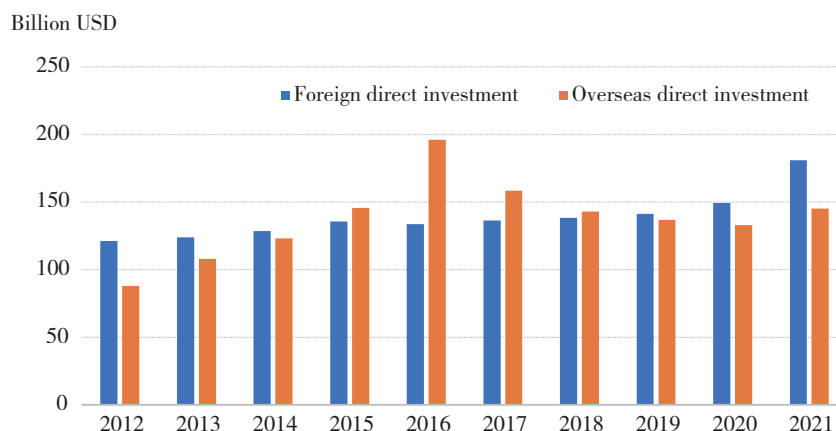


Fig. 10.4 FDI in China and China's ODI, 2012-2021

Source: UNCTAD.

### b. Major achievements made in utilizing foreign investment

In the past ten years, China's utilization of foreign capital has expanded from manufacturing to service sector and then converged to high-tech industries. In 2021, the proportion of China's utilized foreign capital in high-tech industries exceeded 30% for the first time, more than doubling from 13.8% in 2012. Foreign direct investment actually used in the service sector increased by 16.7% year-on-year, accounting for 78.9%. China has introduced a series of major opening-up measures in manufacturing, mining, agriculture and finance to attract more foreign companies. The legal system for foreign investment has been further improved, the environment for foreign investment has been much better, and the fair competition treatment for foreign-funded enterprises has been fully guaranteed.

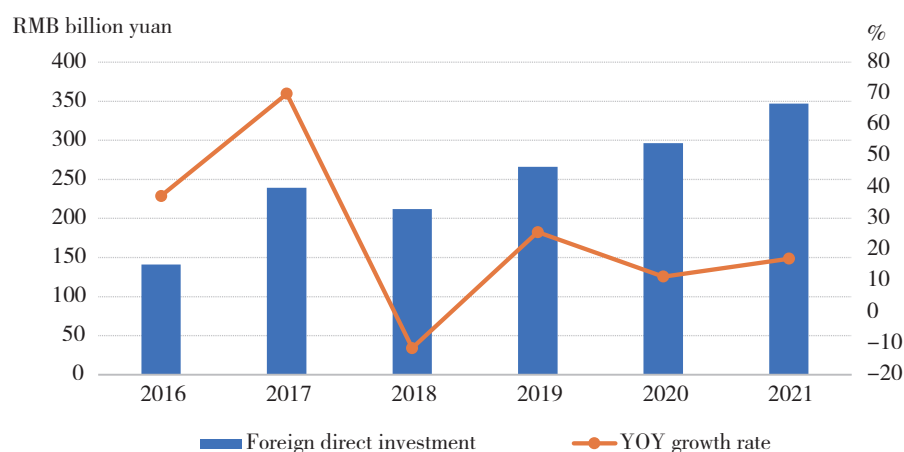


Fig.10.5 Foreign direct investment in China's high-tech industry, 2016-2021

Source: The Ministry of Commerce of China.

### **c. Growth of outbound investment in a healthy and orderly manner**

From 2012 to 2016, China's outward direct investment began to grow rapidly, exceeding \$170 billion in 2016. Since 2017, China's outbound investment has developed steadily and international cooperation in green and digital fields has been booming. The construction of new types of infrastructure has been increasing and cooperation areas have been continuously expanded. The pace of transformation of foreign contracted projects has been accelerated, with its business scope extended from traditional civil construction to the whole industrial chain of design, consulting, financing and operation. There have been more projects integrating construction and investment, construction and operation, and positive progress has been made in third-party market cooperation. Overseas economic and trade cooperation zones have been upgraded. By the end of 2021, the total investment in the overseas economic and trade cooperation zones included in the statistics of the Ministry of Commerce of the People's Republic of China had reached \$50.7 billion, bringing about evident industrial agglomeration effects. A number of demonstration zones, such as Egypt's Suez Economic and Trade Cooperation Zone and Cambodia's Westport Special Economic Zone, had achieved good cooperation results and obvious radiation effects.

## **3. Continuous improvement in the new open economic system**

Over the past ten years, China has accelerated the building of a new system for open economy, with the door opened to the outside increasingly wider, and opening-up scope and fields increasingly expanded and levels increasingly improved. From coastal areas to inland and border areas, from manufacturing to services, and from opening-up based on the flow of goods and factors of production to opening-up based on rules and other institutions, China's all-round opening-up has reached a new level.

### **a. Increasing optimization of the regional opening-up layout**

Over the past decade, China has accelerated the building of a new pattern of opening-up featuring connectivity between land and sea, and mutual benefits between east and west. Guangdong, Shanghai, Jiangsu, Zhejiang and other provinces or cities have maintained a leading position in foreign investment and foreign trade, and the eastern coastal areas have continued to play a guiding role in opening-up. The successive approval for the establishment of the Xixian New Area in Shaanxi, Gui'an New Area in Guizhou province and other eight new areas, have ushered in accelerated

steps of China's inland areas toward opening-up. The regular and large-scale operation of China-Europe freight trains has been achieved and the construction of new land-sea passageways in the western region has been accelerated, driving the opening-up of China's central and western regions. Steady progress has been made in the border (cross-border) economic cooperation zones and key pilot development and opening-up zones along border areas, and initial progress has also been made in building new pivots of opening-up along border areas. From 2012 to 2021, the share of import and export of China's central and western regions increased from 11.1% to 17.7%. In 2021, the central and western regions saw 20.5% and 14.2% actual FDI growth respectively, making them important regions in China for attracting foreign investment.

#### **b. Accelerating institutional opening-up**

In 2013, China launched the first negative list for foreign investment in pilot free trade zones, which was extended to the whole country in 2017. From 2017 to 2021, the negative list was reduced for five consecutive years, with the number of restrictions on the national version reduced to 31 and the pilot free trade zone version reduced to 27. In 2021, the negative list for pilot free trade zones was cleared of manufacturing items. In 2021, the first negative list for cross-border service trade was launched in Hainan, which has achieved a major change in the management mode of cross-border trade in services. In 2020, China implemented the new Foreign Investment Law, establishing a basic system for promoting, protecting and managing foreign investment. The laws, regulations and normative documents that are inconsistent with the Foreign Investment Law have been cleared away for three consecutive years. All these mean that the level of China's opening-up to the outside world has significantly risen and its institutional opening-up has been continuously improved.

#### **c. Solid progresses in developing pilot free trade zones and free trade ports**

Since the first pilot free trade zone was established in Shanghai in 2013, a total of 21 pilot free trade zones had been established in China by 2021, which has formed a reform and opening-up innovation pattern. Pilot free trade zones have played a leading role in China's opening-up and exploring high-quality development, and a number of pilot experiences have been developed that can be replicated across the country. With less than 0.4% of the national land area, the pilot free trade zones contributed 17.3% of China's imports and exports and 18.5% of its utilized foreign investment in 2021. In 2020, the overall plan for the construction of Hainan Free Trade Port was issued, and

the construction of the Hainan Free Trade Port got off to a good start.

#### **4. Fruitful results in international economic and trade cooperation**

Over the past decade, China has continued to open up to the outside world, contributing to the recovery of global trade and investment and becoming the biggest engine of world economic growth. While providing high-quality and affordable goods and services to the global market, this has also provided other countries with broader development opportunities and more international public goods. China is not only the “world factory”, but also an important participant and contributor to the “world market” and global economic governance.

##### **a. Sound and bigger strides towards co-building of the Belt and Road Initiative**

The Belt and Road Initiative has continuously expanded its influence and become a popular international public good and a platform for international cooperation in today’s world. From 2013 to 2021, China’s trade in goods with Belt and Road countries totaled \$11 trillion, and its direct investment in them totaled \$164 billion. The contract value and turnover of contracted projects in 24 Belt and Road countries totaled \$1.08 trillion and \$728.6 billion respectively. Chinese enterprises have built 79 overseas economic and trade cooperation zones in 24 Belt and Road countries, with a total investment of \$43.08 billion creating 346,000 local jobs. More than 50,000 China-Europe freight trains have been operated, connecting more than 180 cities in 23 European countries. A number of “small but beautiful” agricultural, medical and poverty reduction projects have been launched, bringing tangible benefits to people in Belt and Road countries. Connectivity ties between China and these countries have been deepened and exchange and cooperation mechanisms have been further improved.

##### **b. An increasingly big “circle of friends” for free trade**

Over the past decade, the number of free trade agreements signed by China has nearly doubled, increasing from 10 to 19. At the same time, the share of China’s trade with free trade partners increased from 17% to 35% of its total foreign trade volume last year. On January 1, 2022, the Regional Comprehensive Economic Partnership (RCEP) came into force, marking the launch of the world’s largest free trade area with the largest population and the largest trade scale. In addition, China has actively promoted its accession to the Comprehensive and Progressive Trans-Pacific Partnership



(CPTPP) and the Digital Economy Partnership (DEPA), taking new steps toward the goal of building high-standard free trade agreements.

### **c. Continuous improvement in the ability to participate in global economic governance**

China has put forward a vision of global governance featuring “extensive consultation, joint contribution and shared benefits”, promoting the building of an open world economy, a new type of international relations based on win-win cooperation, and a community with a shared future for mankind. It firmly upholds the multilateral trading system and actively participates in the reform of the WTO. Through the G20 Summit, the BRICS Summit and other platforms, it advocates placing development under the global macro policy framework, puts forward common goals for global economic governance and promotes the formation of a new concept and approach for international development cooperation, contributing Chinese solutions and wisdom to improving global economic governance.

## **II. Opening-up at A High Level --- A Necessary Part of the New Development Paradigm**

Building a new development pattern is a strategic choice made by China under the new circumstances to raise the level of its economic development and create new advantages in international cooperation and competition. In the era of economic globalization, domestic circulation guides external circulation, and external circulation promotes domestic circulation, with the two circulations reinforcing each other and forming a virtuous circle at a higher level of openness.

### **1. Promoting opening-up at a high level --- the only way to build a new development pattern**

The new development pattern is not built on a closed domestic circulation, but on a more open domestic and international “dual circulation”. High-level opening-up and the new development pattern go hand in hand and complement each other.

#### **a. Conducive to smooth domestic circulation**

The key to building a new development pattern lies in unimpeded economic circulation, especially the effective and unimpeded domestic circulation. China must

accelerate the innovation of the supply system and enhance its resilience, make effective supply penetrate the blocking points of the economic circulation, and remove bottleneck constraints, so as to achieve dynamic balance of the economy at a high level. From this perspective, high-level opening-up can not only introduce high-quality factors of production and scarce resources to make up for the needs of domestic production, but can also improve the allocation of domestic factors of production through the alignment of regulations and other rules, increase the efficiency and level of the supply system, and provide effective impetus for unimpeded domestic circulation.

**b. Conducive to promoting domestic and international “dual circulation”**

The new development pattern is an open domestic and international dual circulation, not a closed domestic single circulation. To build a new development pattern, China needs to give better play to the role of openness while taking domestic circulation as the mainstay, so as to promote a good situation in which domestic circulation can guide international circulation, and international circulation can promote domestic circulation. Therefore, it must pave the way for the interactive development of domestic and international dual circulation through high-level opening-up. On the one hand, China should encourage more high-quality Chinese goods and services to “go global” to stabilize and promote international circulation, and on the other hand, more goods, services, capital and technology should be “brought in” to improve the efficiency and level of domestic circulation. In doing so, it can promote domestic and international circulation to achieve a virtuous circle in terms of market connectivity, industrial integration, innovation promotion, rules integration and other aspects.

**2. New connotations of high-level opening-up under the new development pattern**

China currently tries to build a new development pattern with domestic circulation as the mainstay and domestic and international circulation mutually reinforcing each other, which raises new and higher requirements for greater opening-up. Against the backdrop of the new development pattern, high-level opening-up takes on new features and changes in terms of mechanisms, advantages, sectors and driving forces.

### **a. Changing from opening-up based on the flow of factors to one based on institutions**

Over the past four decades of reform and opening-up, China has continued to develop an open economy through opening-up based on the flow of goods and factors of production. As foreign cooperation shifts from simple expansion of trade towards diversification in depth and upgrades from paying attention to both “bringing in” and “going out” to building a multi-dimensional and comprehensive network in breadth, the opening-up model based on the flow of goods and elements is no longer able to meet the needs of deepening international cooperation, which requires fundamentally changing the concept of opening-up to the outside world and promoting mutual inclusiveness and integration of China’s open economic system with the existing and idealized world system. To build a new development pattern, China should more effectively pool high-quality talents, advanced technologies and other high-end production factors across the world on the supply side, and effectively improve their allocation efficiency in China, so as to gradually optimize domestic circulation. It also requires China to optimize the supply structure in response to the world’s high-end demand, so as to promote supply and demand to reach a higher level of balance. Institutional openness is the key to mutual development of domestic and international circulation. The ultimate goal of institutional opening-up is to break all kinds of unreasonable and artificial barriers between domestic and international circulation systems, so that micro subjects inside and outside China can freely transform and combine between domestic and international circulation. Only when the relevant institutional barriers are considerably weakened, can high-quality factors in the international circulation enter domestic circulation smoothly, and the positive spillover effect of the international circulation on the total factor productivity of the domestic circulation be fully realized and finally lead domestic circulation to reach a higher level. This means China must deepen institutional opening-up based on rules and standards, and build a system of rules that is conducive to gathering global factors and leading the upgrading of global economic and trade rules.

#### **Box 10-1 Features of Institutional Openness**

The Central Economic Work Conference held at the end of 2018 clearly pointed out that China will promote transition from openness based on the flow of goods and factors

of production to openness based on rules and other institutions. This is the first time that China's top authorities put forward the concept of institutional openness.

In the decisions on some major problems made by the Central Committee of the CPC about upholding and improving the system of socialism with Chinese characteristics to promote the modernization of national governance system and governance ability, President Xi Jinping pointed out that “compared to the past, reform and opening-up in the new era has many new connotations and characteristics, a very important point of which is that the weight of institutional construction is heavier”, “reform is more about the underlying system and mechanism, which raises higher requirements for the top-level design and stronger requirements for the systematical, holistic and coordinated reform. Accordingly, the task of establishing rules and regulations and building a system is heavier.” This marks China's opening-up to the outside world has further advance toward the institutional scope and entered a new stage of institutional opening-up. Institutional opening-up has the following characteristics:

#### **First, following the rules of market economy**

Under the target frame of building the socialist market economy system, some basic rules of market economy should always be taken as the principles to be followed in the reform of the foreign-related economic system, including the rule of law economy, fair competition, the combination of market regulation and macro-control, etc. Under the conditions of openness, it is necessary to follow and participate in the coordination of various rules and practices of international interests.

#### **Second, providing institutional guarantee for an open economy**

The essence of institutional opening-up is to create an institutional environment for an open economy. Institutional openness is the only way to improve the rule of law-based economy. To promote the continuous improvement of the rules of market operation and market activities, it is necessary to promote economic development by relying on laws and regulations, and changing from administrative management to the governance based on the law and regulations. It is also necessary to keep in line with international high standards of investment and trade rules to build a fair, open, competitive and orderly institutional system according to internationalized, legalized and marketized requirements in terms of resource allocation mechanism, the market economy environment, the economic operation and management mode, the international macroeconomic policy coordination mechanism, the government management function, and the international

economic governance structure, etc.

### **Third, displaying obvious phased features and fitting in with the open economic development**

China's open economy is characterized by distinct stages, and correspondingly, the content of institutional reform and the key rules that are abided by in different stages also have their own emphasis. Institutional opening-up before the Third Plenary Session of the 18<sup>th</sup> CPC Central Committee coincided with the process of domestic reform from the planned economy system to the one in which the planned economy system dominates but market regulations also play a role, and then to the one that the market plays a dominant role. It meets the needs of China transiting from local pilot opening-up to full and active integration into the global economy. With the proposal put forward by the Third Plenary Session of the 18<sup>th</sup> CPC Central Committee that a new open economic system will be built. China began to take "the construction of a new higher level of open economy system" as a main content of the economic system reform at the present or for some time in the future, which not only adapts to the "from big to strong development" transition of China's open economy and helps enhance China's status and role in the global rule system, but also is in line with accelerating the improvement of the socialist market economy in the new era.

### **b. Changing from opening-up advantages based on factor supply to ones based on market environment**

Since the reform and opening-up, China has seized strategic opportunities brought by the international industrial transfer, and by relying on low-cost labor, land and other factors, attracted capital and technology inflow of multinational corporations from developed countries, and built an open economic model based on "the import of raw materials, production at home and export to the international market". At present, under the changed conditions in both the international market and its comparative advantages, such kind of economic model is unsustainable, and China should give full play to its market scale and environmental advantages and take advantage of its domestic circulation to attract global commodities and resource factors, to build its new advantages in international cooperation and competition. In the context of its effort to build a new development pattern, China should continue to improve the quality of factor supply, leverage its advantages in market size, optimize the international business environment, cultivate new comparative advantages, and achieve high-level

opening-up. On the one hand, the construction of a unified domestic market in China is conducive to enhancing the advantages of its local market size, promoting innovation through the expansion of domestic demand, and thus fostering higher quality production factors. At the same time, it can also attract global quality production factors to promote domestic industrial and supply chains to advance toward a higher level and integrate to the international market and international circulation with greater advantages, and enhance and improve China's position in international division of labor. On the other hand, the expanding scale and openness of the domestic market will promote mutually reinforcing of domestic and international "dual circulation", make better use of the two markets and two kinds of resources, cultivate new advantages of the market environment to participate in the division of global factors, and better serve China's bid to build a new development pattern.

**c. Shifting from manufacturing openness to high-level two-way openness of the service sector**

After the reform and opening-up, China mainly focused on the opening of manufacturing, effectively boosting the development vitality of the sector and becoming the world's largest manufacturing country. At present, there is a big gap between China's service industry and that of developed countries, and in order to further open up, it is urgent for China to shift opening-up from manufacturing to service industry. Opening-up under the new development pattern is a two-way process that includes both opening-up to the outside and opening-up to the inside. This means that to promote the opening of the service industry to the outside world, China should ease access restrictions on services, promote the orderly opening of financial, education, culture, healthcare and other services, relax foreign investment access thresholds in children nurturing and old-age care, architectural designing, accounting audit, trade logistics, e-commerce and other services, realize mutual promotion and development of domestic and international dual circulation. At the same time, it should attach importance to the opening of the service sector at home, adhere to the principle of competition neutrality and unified market access system, ensure all kinds of market players can equally enter the opening areas in accordance with the law, and in particular lift restrictions on private capital investment and promote gradual opening of the monopoly service industries to the private economy, to release more market vitalities and promote the development of domestic circulation.

#### **d. Shifting from passive follow-through and integration to actively leading the way in opening-up motivations**

In the past, China's opening-up was always accompanied by international "pressure", which was mainly a follow-through opening-up, and external pressure has been constantly transformed into a driving force of further opening-up. However, with the deepening of reform and opening-up, China's voice in international rule-making has gradually increased and its position in the world has become more and more important. Follow-through opening-up can no longer meet the needs of China's long-term development. Under the new development pattern, domestic and international development will promote each other, and rules, regulations, management and standards will be more interconnected. The shift from follow-through opening-up to active opening-up has become an essential part of China's high-level opening-up under the new development pattern. At present, China is actively preparing to join the CPTPP, the DEPA and other high standard international economic and trade agreements, and the driving force behind China's high-level opening-up has undergone fundamental changes. On the one hand, China goes all out to deepen international cooperation in a more pragmatic and flexible manner. It supports an open, transparent, inclusive and non-discriminatory multilateral trading system, promotes trade and investment liberalization and facilitation, and advances economic globalization in a more open, inclusive, balanced, and win-win direction. On the other hand, China has actively participated in various cooperation mechanisms and taken an active part in the reform and development of the global governance system. Making full use of various international platforms will effectively promote economic, trade and investment cooperation, and participation in the formulation or modification of relevant international trade and investment rules will continuously enhance China's narrative in the reform of rules. In this light, the initiative to open up is an inevitable choice for China to promote high-level opening-up under the new development pattern.

### **III. High-Level Opening-Up Helps Foster A New Pattern of Development**

As the dual circulation based on opening-up both at home and abroad, the new development pattern puts forward higher requirements for the level and quality of

opening-up. To promote opening-up at a high level in the context of a new development pattern, China should work harder in exploring a new opening-up system, cultivating new advantages of open development, opening new prospects for international cooperation, and building a solid opening-up safety net.

### **1. Improving the new system for opening-up**

To promote opening-up at a high level under the new development pattern, China needs to improve the quality and level of its participation in the international circulation under the new situations. While consolidating the achievements of opening-up based on the flow of goods and factors of production, it should continuously strengthen institutional opening-up, remove institutional barriers to linking China and the world, and build a new system for an open economy at a higher level.

#### **a. Further promoting opening-up of goods and factors of production**

The new development pattern calls for China better integrating into the international circulation and further promoting the opening-up of goods and factors of production. It requires China to optimize the commodity structure and deepen the optimization of import and export, reduce import tariffs and institutional costs, increase imports of high-quality consumer goods, advanced technologies, important equipment, energy and resources, and promote high-end and refined imports and exports to build the “Chinese brand” of goods. China should optimize the supply of factors for opening-up and development, actively explore policy and institutional innovations in the entry, exit and residence of high-end overseas talents, facilitation of cross-border investment and financing, and orderly opening of data and information, and facilitate the employment of talents, cross-border capital flow, and secure and orderly flow of data.

#### **b. Continuously expanding market opening**

China has continuously eased market access for foreign investment and better integrated it into the national economic circulation. It has further reduced the negative list for market access for foreign investment, continuously opened up manufacturing, services and agriculture, allowed foreign capital to hold shares or independently operate in more sectors, and actively introduced advanced technology, management expertise and business models. It has promoted the opening-up of key areas, such as advancing the openness of relevant businesses in telecommunications, Internet, education, culture



and medical care in an orderly manner. It has improved the catalog of industries that encourage foreign investment, supporting foreign investment in areas such as medium- and high-end manufacturing, new and high technologies, transformation and upgrading of traditional manufacturing, modern services as well as in central and western regions, supported foreign-funded enterprises in setting up global and regional headquarters and research and development centers, and encouraged foreign investment to actively participate in the construction of new types of infrastructure.

### **c. Accelerating institutional opening-up**

China has further reformed domestic institutions and mechanisms, fully implemented the management system of pre-establishment national treatment plus a negative list, advanced investment and trade liberalization and facilitation, and continuously improved the market-oriented, law-based and international business environment. It has advanced the development of pilot free trade zones and free trade ports with high standards and high quality, and carried out comprehensive trials to open more services to the outside world. It has improved the system of pilot tasks for independent and open platforms, and explored the innovative linkage between pilot free trade zones, free trade ports, comprehensive trials for greater openness in the service sector and service trade innovation, comprehensive pilot zones for cross-border e-commerce, pilot policies launched by various departments. It has given full play to the role of open platforms and worked hard to establish an institutional system in line with the prevailing rules of international investment and trade.

## **2. Fostering new opening-up and development advantages**

Under the new development pattern, to participate in the international market through opening-up at a high standard, China should promote better connectivity between domestic and international markets, promote coordinated development and positive interaction between domestic and external demands, and drive economic development in a stronger and more sustainable manner.

### **a. Adhering to integrated development of domestic and foreign trade**

To promote opening-up at a high level, China should promote integrated development of domestic and foreign trade, and plays its key role in unblocking domestic and international “dual circulation”. First of all, it is necessary to promote the integration of domestic and foreign trade subjects, cultivate large circulation enterprises

with international competitiveness, promote the foreign trade enterprises to expand the domestic market, create a platform for integrated development of domestic and foreign trade, and build bridges between domestic and foreign trade. Second, it is necessary to promote the building of a unified domestic market, establish unified market systems and rules nationwide, promptly clean up and abolish policies that hinder the unified market and fair competition in various regions, break down local protection and market segmentation, and promote the smooth flow of commodity factors and resources in a wider area. Finally, the country should unify domestic and foreign trade standards, actively carry out the transformation of domestic and international standards, promote the same assembly line, standards and quality to domestic and foreign products, improve the quality and brand of products, and cultivate new opening-up advantages.

#### **b. Expanding high-level two-way investment**

China should make efficient use of global resources, factors and market space through high-level two-way investment, and improve the guaranteeing mechanism of industrial and supply chains, to raise its industrial competitiveness. Greater efforts should be made to attract and utilize foreign capital, comprehensively optimize foreign investment services, strengthen foreign investment promotion and protection, give play to the exemplary role of major foreign investment projects, support greater foreign investment in medium- and high-end manufacturing, new and high technologies, transformation and upgrading of traditional manufacturing, and modern services, as well as in the central and western regions, support foreign-funded enterprises in setting up research and development centers and participating in national science and technology planning projects, and encourage profits reinvestment of foreign-funded enterprises. The country should innovate outbound investment methods, optimize the structure and distribution of outbound investment, and improve its ability to improve returns from outbound investment. It should improve the network and distribution system for overseas production and services, accelerate the international development of producer services such as finance, consulting, accounting and law, and promote Chinese products, services, technologies, brands and standards to go global. At the same time, it should support enterprises to integrate into global industrial and supply chains, and enhance their capacity and level of transnational operations. It should guide enterprises to strengthen compliance management and prevent, improve the ability to prevent risks and defuse overseas political, economic and security risks.

Practical measures should also be taken to advance the building of multilateral and bilateral investment cooperation mechanisms, improve the policy and service systems for promoting and guaranteeing outbound investment, and advance legislation on outbound investment.

### **c. Promoting innovation and upgrading of open platforms**

The China International Import Expo, the China Import and Export Fair (Canton Fair), the China International Trade Fair in Services and the China International Consumer Goods Expo are all the major decisions taken by China to open up its market and serve as the important windows for China to share its big market and the important links for it to connect with the rest of the world. China should give full play to such important exhibition platforms, promote sustainable and healthy development of the platform economy, enlarge comprehensive effects, and increase imports of high-quality products, to share China's large market with the rest of the world. It should not only "bring in" global new products, new technologies, and new services, but also should encourage capable and reputable Chinese enterprises to "go out", constantly promoting more pragmatic cooperation to meet the needs of industrial upgrading and people's yearning for a better life.

## **3. Opening new scenarios for international cooperation**

International economic connectivity and exchanges are the objective requirement of world economic development. In the new stage of development, China should adhere to high-level opening-up and actively cooperate with the countries, regions and enterprises that are willing to cooperate with China, so as to form a new scenario of all-dimensional, multi-tiered and diversified opening-up and cooperation.

### **a. Promoting high-quality Belt and Road cooperation**

China should adhere to the principle of "extensive consultation, joint construction and shared benefits", uphold the principle of "green, open and clean governance", deepen practical economic and trade cooperation, make trade more unimpeded, improve the quality of investment cooperation, strengthen international cooperation, and tell Chinese stories well. It should work together with other countries to strengthen the convergence of trade and investment rules, reduce non-tariff barriers, increase the transparency of technical trade measures, and enhance trade and investment facilitation. It should actively promote cooperation on digital technology innovation,

dovetail with the needs of different regions, countries and partners, and take an active part in building a regional platform for the development of digital economy and a new framework for digital rules governance. At the same time, it should actively promote the green development of Belt and Road countries, and enhance the ability of small and medium-sized enterprises to participate in the green construction of the Belt and Road.

**b. Advancing regional, multilateral and bilateral economic and trade cooperation**

China should promote the building of an open world economy, uphold multilateralism and free trade, firmly oppose protectionism, unilateralism and hegemonism of all kinds, and promote market connectivity. It should accelerate the implementation of the strategy of upgrading free trade areas, continue to negotiate with relevant countries on high-level free trade agreements, investment agreements and various forms of preferential trade arrangements, optimize the network of free trade areas, and expand the scale of plurilateral trade agreements. It should promote the China-GCC, China-Israel, China-Norway, China-Ecuador, and China-Japan-ROK free trade agreement talks, jointly build free trade areas with more countries, improve and upgrade the established free trade agreements, promote the signing of the China-EU investment agreement, speed up the China-Japan-ROK FTA negotiation process, actively launch the effort to join the CPTPP and DEPA, etc, to build a global network of high-standard FTAs, forge peaceful, innovative and civilized partnerships, and create new opportunities for international cooperation.

**c. Actively participating in the reform of the global governance system**

Only when the global governance system adapts to new requirements and changes in the international economic landscape can it provide institutional guarantee for the global economy. Therefore, China should actively advocate a new vision of international cooperation featuring mutual benefit and win-win cooperation, place equal emphasis on opening-up to both developed and developing countries, and increase the voice and representation of the emerging markets and developing countries in global economic governance. It should focus on maintaining the existing reasonable order and international norms and reforming the old imperfect and unreasonable rules, and advocate and participate in the formulation of new rules that are inclusive and just. It should also strengthen international cooperation against the pandemic to promote an early recovery of the global economy, support the necessary reform of the WTO,

support the development of platforms such as the Shanghai Cooperation Organization, BRICS and G20, and increase the research and formulation of standards in digital trade, cross-border e-commerce and mobile payment, to contribute “Chinese solutions” to the formulation of international economic and trade rules.

#### **4. Strengthening the safety net of opening-up**

To build a new development pattern and promote high-level opening-up, China needs to strike a balance between openness and security, improve the security guarantee system for opening-up, and enhance its ability to dynamically safeguard security in an open environment.

##### **a. Firmly fostering the concept of secure development**

To advance high-level opening-up, China needs to firmly adopt the concept of secure development. The more it opens, the more it must attach importance to security and give priority to security issues. It should not only open windows, but also install screen windows, and balance development and security, to well handle the strength, progress and depth of opening-up and actively respond to traditional and non-traditional risks.

##### **b. Establishing a mature guarantee system**

China should speed up the study and formulation of laws and regulations that adapt to the new domestic and international situations, fill in institutional gaps and make up for institutional weaknesses, improve the system for secure development and legal guarantee, so that all aspects and links of opening-up have rules to follow. In accordance with laws, regulations and international rules, and to meet the needs of high-level opening-up, China should establish and improve the systems of foreign investment security review, anti-monopoly review, and the list of unreliable entities. It should enrich trade adjustment assistance, trade remedy and other policy tools to properly address economic and trade frictions. It should also strengthen guarantee cooperation on international supply chain and establish a system for overseas interests protection and risks early-warning and precaution.

##### **c. Enhancing the capacity for safe opening-up**

China should strive to enhance its industrial competitiveness and opening-up supervision and risks prevention capabilities, to provide a better protective fence for opening-up. It should enhance its rule-making capacity, pursue multilateral, regional

and bilateral approaches, and safeguard free trade and multilateralism. It should improve its talents guarantee ability, actively cultivate international talents in the fields of economy, law and management, and build a diversified and open mechanism for attracting and employing talents.