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## China and the WTO: Retrospect and Prospect

*Zhang Yansheng, Pei Changhong, Bi Jiyao, Hong Xiaodong, Yang Guohua  
and Song Hong*

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The Editorial Board of the *International Economic Review* journal and the International Trade Research Office, both under the Institute of World Economics and Politics of the Chinese Academy of Social Sciences, jointly organized a seminar, themed China and the WTO: Retrospect and Prospect, on November 25, 2021, the 20th anniversary of China's accession to the World Trade Organization. The core aim of China's accession to the WTO is to actively participate in globalization, seize the important strategic opportunities, and push the integration of institutional mechanisms with internationally accepted rules. China's accession to the WTO has also raised the depth and breadth of globalization to the highest level. The current international environment has undergone profound changes compared with 20 years ago; globalization has regressed; ideology and national security have become increasingly important factors behind global industrial and supply chain; and WTO members have shifted their focus from trade liberalization to behind-the-border measures. Regionalization is a dismemberment of the process of globalization, and the WTO may become a venue for disputes over systems, power of discourse, and development models. But as long as the WTO does not announce its dissolution, it will always be a main force opposing hegemony, protectionism and unilateralism in global economic governance. However, if it wants to make more achievements, the WTO needs to abandon some mechanisms and procedures that hinder its effective operation. The key to the future development of the multilateral trading system is to integrate rule-based free trade, reciprocity-based fair trade, and sharing-based inclusive trade; major countries should work together to promote the establishment of a free, fair and inclusive multilateral trade order.

## Price of Prematurity: Why and How Should China Maintain Its Manufacturing Strength?

*Cai Fang*

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As its population opportunity window rapidly closes, the comparative advantage of China's manufacturing tends to diminish and the share of manufacturing in its economy has been declining. However, analysis of China's manufacturing competitive edge at the current stage and a statistics-based international comparison suggest that while its manufacturing has not completely lost its traditional comparative advantage, it has a great potential of developing new advantages. This implies that the declining share of manufacturing is premature. If the share of

manufacturing continues to decline, it will significantly shorten the resource reallocation chain, squeeze the room for productivity improvement, and, therefore, weaken the growth potential of the Chinese economy. To stabilize the growth and share of manufacturing, it is necessary for China to update industrial policy concepts and practices, and make the manufacturing industry an important engine for its high-quality development through expanding the scope of resource allocation, promoting the sharing of growth, and enhancing the sustainability of development.

## Fulfilment of Labor Value in Market Economy

*Ye He*

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Fulfilment of the value of labor and distribution on the basis of labor through market mechanism is an important task for socialist market economy. Labor equity might be a possible approach to this end, which enables employees to hold stocks of their company based on their labor contribution, rather than financial purchase. It can be explored to realize the direct combination of labor and the means of production through labor equity, endow it with capital attributes, so that labor can participate in the distribution of surplus value as capital does. Labor equity does not exclude capital rights, but coexists with it on an equal status. Labor equity is not the only way to embody the nature of socialism under the conditions of a market economy; it can be an exploration direction for realizing labor value and promoting common prosperity under China's basic economic system, where features long-term coexistence of multiple ownership systems. Meanwhile, it also enables China to provide its solutions for new forms of realization of labor value in the world, so that the country can make its contribution to mankind's exploration of advanced systems.

## No Turning Back from Opening-up: China's Experience and Lessons in Coping with Capital Flow Reversal

*Guan Tao and Yin Gaofeng*

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This article reviews China's experiences in dealing with six capital flow shocks since the unification of the yuan's exchange rates in 1994, and highlights that China has gradually shifted from mainly using administrative control to tending to market regulation and macro-prudential measures in the determination of the yuan's exchange rate. China's confidence in further financial opening-up has been strengthened as it adheres to the principle of solving ongoing problem through promoting development, ensures its economic fundamentals are stable and improving, increases the flexibility of exchange rate policies, maintains the soundness of its economic and financial system, and improves its macro-prudential management of cross-border capital flows. However, after expanding its opening-up, China's capability to cope with financial risks will further be put to the test because of increased external constraints on financial policymaking, pro-cyclical fluctuations in capital flows, increased cross-border contagion risks, and the amplification of domestic macroeconomic

policy spillover effects. To achieve high-level financial opening-up, China needs to improve the supporting financial infrastructure, adhere to steady and prudential promotion of RMB internationalization and financial opening-up, firmly control the leadership and agenda of financial opening-up, and ensure headway is made in both opening-up and risk prevention.

## How Digital Technologies Change Financial Institutions : China's Practice and International Implications

*Wang Xun, Huang Yiping, Gou Qin and Qiu Han*

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Digital technologies, including big data, artificial intelligence, and cloud computing, have had rapid growth in China. Integrating with financial transactions, these digital technologies help develop new digital financial business and promote financial efficiency; at the same time, they have also significantly influenced China's financial institutions and reshaped the financial system. While the key challenge of financial transaction lies in information asymmetry and the related problems of adverse selection and moral hazard, the fundamental advantage of digital technologies is reduction of the problem of information asymmetry, especially for small and medium-sized enterprises and low-income households. China's digital financial innovation has made it possible to solve the problems of customer access and financial difficulty. This innovation sheds new light on the traditional financial institutions in China and the rest of the world. China's digital finance regulatory practice has also contributed to changes in regulatory environment and provided new thoughts for international financial regulatory reform.

## Narrative Framing and Evolutionary Trends of Sino-US Competition under the COVID-19 Crisis

*Cao Dejun*

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As the discourse weapons for competition among major countries, strategic narratives are meaning-making devices implemented by political actors. In the context of COVID-19 crisis, fear emotion, conspiracy theories, exclusionary nationalism and populist discourse spread rapidly through social media. The "self-other" narratives aim to undermine the rival country's leadership legitimacy, and also promote narrative coercion and emotional mobilization. During the first half of the pandemic crisis, the Donald Trump administration's intense and hostile rhetoric had led to a downward spiral of trust between the United States and China. However, the different narrative style of the Joe Biden administration in the second half of the pandemic crisis provides a window of opportunity for breaking the vicious cycle of worsening Sino-US relations. As a pro-establishment president, Biden's narrative style is more rational and balanced, although he will continue to emphasize competition with China. In response to the Biden administration's narrative restraint, strategic patience, and limited multilateralism, China can adopt a more diverse narrative strategy to reshape the US-China "new cold war" narrative script step by step.

## China's Green Bond Market: Characteristics, Facts, Endogenous Dynamics, and Existing Challenges

*Chen Xiao and Zhang Ming*

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China's goal of carbon peak before 2030 and carbon neutrality before 2060, put forward by President Xi Jinping in September 2020, will inevitably promote the transformation of its real economy into a green and low-carbon development model, and this process cannot be achieved without the strong support of green finance. Green bond, as one of the important products, will also achieve rapid growth in the future. First, this article summarizes the characteristics and facts of China's green bond market. It still suffers from some problems, such as standards not yet unified, rapid growth in issuance volume, and gradual diversification of bond varieties and participants, which are consistent with the characteristics of the early stage of market development. Second, the endogenous impetus for the development of China's green bond market comes from the benefits gained by different participants, including lower issuance costs, credit risk avoidance, and reputational gains. However, the green bond market currently faces multiple practical challenges, including the existence of greenwashing, low motivation of issuers, and lack of attractiveness to investors. Finally, this article puts forward several suggestions for the development of China's green bond market. First, it should promote the unification of green bond standards as soon as possible; second, it should implement greater all-round preferential policy support; third, it should strengthen the supervision of the green bond market and crack down on greenwashing; and fourth, it should promote the internal and external interconnection of the green bond market to serve as valuable policy reference for the development and policymaking of China's green bond market against the backdrop of China's carbon neutrality goals.

## EU's Energy-Climate Policy under the Carbon Neutrality Target and China-EU Cooperation

*Jiang Siyu*

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The EU's energy-climate policy under the carbon neutrality target has the following main characteristics: addressing climate change and energy transition are the core objectives and key pathways; substantially raising the ambition to cut emissions and passing legislation to ensure targets are met; strengthening the goals of renewable energy and energy efficiency, and focusing on sectors such as buildings, transport, and industry, among others, to achieve emission cuts; highlighting the role of carbon pricing in emission reduction and preventing "carbon leakage" through the Carbon Border Adjustment Mechanism. The EU aims to be a global low-carbon leader through playing a leading role in terms of ideas, technologies, and rules. Energy transition and climate action are vital tools of the EU to achieve economic recovery. China and the EU are important partners in climate cooperation. Under the combined effect of the carbon neutrality target, the limitation of China-US cooperation, and geopolitical factors, the competitive and cooperative relationship between China and the EU in the field of energy and climate has been further highlighted. Carbon pricing and green bonds are becoming

the focus of China–EU cooperation. Looking ahead, China and the EU should strengthen coordination of their positions in international climate negotiations, and jointly uphold and build a fair and reasonable multilateral mechanism for climate governance; they should attach importance to third–party market cooperation, and support capacity building and green financing of developing countries in combating climate change; they should also promote coordination and cooperation in addressing climate change using market tools, and jointly lead the formulation of relevant international standards and rules; moreover, they should actively carry out cooperation in green technology innovation, research and development to provide wider–ranging technology solutions to the world.

### Promoting Integrated Development of Rural and Urban Areas amid the Rural Revitalization Strategy: Implications and Lessons from Main Developed Countries

*Mao Rui and Lin Xianyi*

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Although China’s rural areas have made substantial headway in economic development since it started the reform and opening–up, structural problems, mainly reflected by rural–urban disparities, remain prominent. It is urgent for policymakers to accelerate the rural economic transformation to effectively achieve rural revitalization and rebalance the rural–urban development. Rural development is a global issue that exists in many countries, and China needs to summarize and draw lessons of rural development from developed economies, which have surpassed the stage of economic transformation. This article reviews the rural transformation history of four developed countries; in France, we have found, its main practice is to increase spatial balance through land centralization and industrial redistribution; in Germany, the main practice is to shift from passive adaptation to rural marginalization to an pro–active reform aiming at rural–urban equalization; in the US, the main practice is to improve the institutional and service system to promote rural–urban coevolution; and in Japan, the main practice is to build an agricultural revitalization system featuring mechanical design and systematic operation. Based on those practices of developed economies on rural transformation, the article highlights three tasks for China to implement its rural revitalization initiative and promote rebalanced growth of the rural–urban economy. First, the mechanical design and the social collaboration network of rural revitalization must be enhanced. Second, the industrial distribution and multi–product system for rural–urban integration must be improved. Third, the basic public service equalization and rural–urban coevolution must be promoted.

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