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# INTERNATIONAL ECONOMIC REVIEW

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## Understanding Strategic Opportunities, Risks and Challenges China Faces

*Yao Zhizhong*

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The international environment, in which the theme of the era was peace and development and China was facing important strategic opportunities, has undergone major changes. China's development has entered a period when strategic opportunities and risks and challenges coexist, and uncertainties and unpredictable factors are also on the rise. In the future, China will face four major risks and challenges: the global system will experience major adjustments, and the world will have to cope with the risk of splitting; the gaming between major powers will become more intense, and the United States will be more aggressive in its attempt to suppress and contain China; geopolitical conflicts will intensify, and local crises may evolve into regional or even global crises to affect almost all countries; and China will face the serious problem of unbalanced and insufficient development, with factors affecting its comprehensive, coordinated and sustainable economic and social development on the rise. Meanwhile, China also has many new favorable conditions to seize strategic opportunities, including a more solid foundation for sustained economic development and long-term social stability, the strong attraction of its domestic market for global commodities and factors, which makes it possible for China to maintain a high standard of opening-up; the fact that China's concept and propositions of international order have been increasingly recognized; and the continual improvement in China's national security system that ensures it has a strong ability to maintain national security. To seize the new strategic opportunities, it is necessary for China to fully implement the strategic plans put forward at the 20th National Congress of the Communist Party of China. In particular, it is necessary to make two overall coordination arrangements: coordination between development and security to ensure the new development paradigm is guaranteed by a new security paradigm; coordination between national interests and the common interests of all mankind, and achievement of the great rejuvenation of the Chinese nation in the process of building a community with a shared future for mankind.

## Rationally Understanding and Vigorously Promoting Chinese-Style Modernization

*Huang Qunhui, Tong Jiadong, Dai Changzheng and Chen Weiguang* 19

The report delivered at the opening of the 20th National Congress of the Communist Party of China points out that the Chinese-style modernization not only has the common characteristics of the modernization of all countries, but also has Chinese characteristics given its own national conditions. The Chinese-style modernization is the modernization of China's "paradigms" formed in the process of the country's modernization through long-term exploration and interaction with the modernization of other parts of the world. Different from the core purpose of Western modernization, which pursues profit maximization and capital appreciation, the starting point and goal of China's diplomacy and its Chinese-style modernization is to satisfy people's aspiration for a better life. The Chinese-style modernization has five characteristics: a huge population, common prosperity for all people, coordination between material civilization and spiritual civilization, harmonious co-existence between man and nature, and peaceful development. The Chinese-style modernization is not one that is built behind closed doors, but one that includes the implementation of a more proactive opening-up strategy and exploration to gradually form a new development paradigm with the domestic cycle as the mainstay and the domestic and international cycles reinforcing each other. To achieve the Chinese-style modernization, it is necessary to comprehensively promote the construction of a modern innovation-based industry system to create a modern industry system that features coordinated development.

## Further Promoting RMB Internationalization in an Orderly Manner

*Zhang Liqing, Chen Weidong, Xiao Geng, Gao Haihong, Qiao Yide and Liu Tao* 38

Whether the RMB internationalization process can be stable and far-reaching depends on whether China can maintain sustained and stable economic growth, whether it can provide a financial market with high liquidity and sufficient products, whether it can accelerate and expand capital account liberalization, and whether it can provide a transparent and sound financial regulatory system, a good property rights protection system, as well as a friendly business-doing environment. Financial opening-up has become an important driving force for the development of China's RMB internationalization in recent years, and, due to Hong Kong's status as an offshore financial center, China's financial system has been actually more open. However, geopolitical risks are accelerating the change of previous economic logic through a destructive force. While the increase in geopolitical risks has further accelerated the process of international currency diversification, it should be noted that the scope and space of RMB internationalization should be expanded to prevent any possible prospect of RMB internationalization evolving into an activity only limited to a group of countries. Currency grouping completely determined by politics is not conducive to RMB internationalization, nor will it contribute to the stability of the global monetary system.

## An Important Milestone in the Modernization of Investment Dispute Settlement Mechanism: Comments on the New ICSID Rules of 2022

*Qi Tong*

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The Investor–State Dispute Settlement (ISDS) mechanism plays an important role in international investment governance, but in recent years, it has faced increasing criticism and been pressured to carry out reform. To build a more transparent, cost–saving, time–efficient and environment–friendly procedure, the International Centre for the Settlement of Investment Disputes (ICSID) began to modernize its rules in 2016, and the new rules came into effect on July 1, 2022. This reform, as a milestone move, bears important significance. It will help alleviate the legitimacy crisis of the ISDS mechanism and maintain the leading position of ICSID in the field of investment dispute settlement. It will also help expand and concentrate international consensus, and further the reform of the ISDS mechanism. Institutional innovations on improving transparency and expansion of jurisdiction of the Additional Facility Rules will have a significant bearing on the practice of relevant states and other stakeholders. However, this rule reform is mainly limited to procedural matters and plays only a limited role in solving the systematic deficiencies of the ISDS mechanism.

## EU Climate Strategy Orientation amid Energy Crisis: Perspective of Strategic Competition

*Zhou Weiduo and Zhuang Guiyang*

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Global climate change is an important risk threatening national security. Failure to act on climate change will not only exacerbate climate risks, but also worsen the energy crisis. This article makes a strategic analysis of EU climate policy transformation from five dimensions: international situation, competitors, external threats, competitive objectives, and strategic means. The energy crisis has exposed the fragility of the EU’s climate strategy. The EU has, through climate change legislation, strengthened energy conservation and emission reduction potential, improved clean energy storage infrastructure, ensured a stable EU Emission Trading System and reasonable carbon price, promoted fair climate transformation and decarbonization of the power sector, and restructured EU energy supply and demand. To maintain its strategic competitive edge, the EU has legalized its climate policy and made it a long–term climate policy to improve the security of the energy supply chain and strengthen the balance of openness and security in the industrial chain. The EU and G7 have jointly promoted the strategic change of climate policy, which has strengthened the strategic differences between the group of developed countries and the group of developing countries, and caused a huge impact on the global climate governance order. In response to the shift in the EU’s climate strategy, China needs to stick to the principle of taking into consideration of its national conditions, prepare for a rainy day and adhere to the principle of common but differentiated responsibilities, bridge differences with EU and G7 in such areas as greenhouse gas emission reduction responsibility, financial mechanism, and technology transfer, and strengthen dialogue to achieve a win–win cooperation in global climate governance.

## Hierarchical Structure, Operation Rule and Governance Direction of the Meta-economics

*Han Yonghui and Liu Yang*

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The Metaverse is a virtual social space based on cutting-edge emerging science and technology, which is parallel to the real world and is an important vehicle for the future development of the Meta-economics. To expand the development space of Meta-economics and regulate the global economic governance order of the Metaverse, based on the basic paradigm of economic research, this article explores the hierarchical structure of Metaverse economic system, analyzes the unique economic development rule of Meta-economics and the new problems of global economic governance that may arise, before proposing the direction and path of economic governance for the healthy development of global Metaverse economy. The study concludes that the Meta-economics is the sum total of economic activities of production, consumption, exchange and distribution around digital identity, digital products, digital assets and digital currency, which are based on the underlying technologies of digital twin, extended reality and Web 3.0 Internet concept. The Meta-economics has some unique development characteristics, such as creator-driven, recognition determining price, increasing marginal revenue of data, and co-existence of decentralization and centralization. It will reshape the framework of economic operation in the future digital era. However, the unique economic development rule of the Metaverse may spontaneously lead to some contradictions: between monopolistic competition and superpower, between economic interests and moral failures, between economies of scale and cross-border governance, and between financial innovation and financial regulation, potentially inducing global economic disorder. Therefore, the world should adopt the principles of openness, tolerance and win-win cooperation, make a plan of the governance order of the Meta-economics in advance in the fields of real-world technology standards, market rules and moral norms, share the responsibility of governance to promote the orderly development of the Metaverse economic system, and make joint efforts to build a Metaverse community with a shared future for mankind.

## Evolution of Pension System in Japan and South Korea Under the Constraint of Institutional Structure: Commonalities, Differences, and Implications

*Zhu Hengpeng, Pan Yuqing and Sun Mengting*

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Strengthening redistribution and mutual aid are an important direction for the development of China's social security system, and the pension system transition from limited redistribution to universal welfare in Japan and South Korea can serve as a reference for China. By constructing a comprehensive analysis framework of institutional structure, this article explains the commonalities and differences in the evolution of the pension systems of those two countries. The establishment of the pension system in Japan and South Korea has developmental characteristics, and it is complementary with the external institutional and structural elements

at that time. However, with fiscal austerity, fund deficits and the awakening of citizens' welfare consciousness as a result of the economic slowdown, the limited redistribution system had become a trigger for social conflict, making reform inevitable. In the reform process, their different external development environments, social and economic foundations, and political systems have led to their different institutional models and reform paths. Japan has moved from a highly decentralized system to a fully integrated one, realizing extensive mutual aid among different groups. Although South Korea has established a unified system covering urban and rural residents, the system for special occupational groups remains separate. China should learn from the lessons of Japan and South Korea in carrying out its own pension system reform to narrow system gap and promote system integration.

## Reverse Mortgage in the US: Process, Challenge and Experience

*Chen Gong and Zheng Bingwen*

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The US' reverse mortgage market started in 1961. Its development can be roughly divided into five main stages, i.e., the experimental exploration stage under the market spontaneity (1961–1981), the stage of market cultivation under the initial intervention of the federal government (1982–1989), the small-step development stage promoted by the federal government (1990–1999), the rapid development stage led by the federal government (2000–2007), and the stage of deep correction in the wake of the global financial crisis (2008–2022). Before the official introduction of the Home Equity Conversion Mortgage (HECM) in 1989, which was insured by the Federal Housing Administration for both lenders and borrowers, the chaotic market development featured some practical problems, including insufficient government attention, product design defects, lack of market interaction, weak government regulation, and imperfect supporting financial markets; since then, the government and the market have worked together to promote the continuous optimization of the overall operation mechanism of the market, and the overall development of the market has changed for the better, providing some noteworthy experiences such as the active support of the government, perfect market regulation, enhancement of the active participation of private institutions and guarantees from government for both borrowers and lenders. Although the current US market has generally remained on the track of mature development, it still faces many challenges in the process of its development, such as insufficient real market demand, lack of enthusiasm of the private sector, high borrower default rate, widespread public misconceptions, and widespread misleading advertisements. On the whole, by properly bringing out the role of relevant market supporting factors, the US federal government has led and built a relatively reasonable overall market environment. It is expected that the US' reverse mortgage market will continue to move forward on the basis of financial stability in the future.