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China's Strategic Choice for Coordinating Development and Security

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9

Since the 18th National Congress of the Communist Party of China, held in 2012, the CPC Central Committee, with General Secretary Xi Jinping at the core, has made comprehensive arrangements for national security and economic development, taking coordination of development and security as an important approach for the Party to govern the country. The coordination of financial development and security, as part of the coordination of development and security, entails consideration for the bottom line of risk and security in financial development, while financial innovation and development should be taken into consideration when efforts are made to promote financial security, thus leading to a dynamic balance between financial development and financial security. The coordination of the development and security of strategic industries requires the establishment of a new equilibrium to solve the problem of “fallacy of composition”. The coordination of the development and security of trade and industrial chains requires not only expansion of opening-up and bringing out of the containment effect of interdependence, but also improvement in national security-related systems and rules and efforts in response to the risk of key technology supply cut-offs. The coordination of economic development and ecological security requires not only adhering to ecological priority and ensuring resource threshold, environmental threshold, and climate threshold are not crossed, but also adhering to green development and promoting the fundamental transformation of production and consumption patterns. The coordination of economic development and food security requires an accurate understanding of the “dual-base status” of food security amid China's economic development in the new era and coordination of the central and local economic and environmental policies aimed at achieving grain security, and, at the same time, food security and economic development amid opening-up should be well coordinated. To coordinate economic development and energy security, it is necessary to form a correct understanding of energy security and development. It is necessary to improve national energy supply security through the development of energy production and utilization capabilities, and also further promote the innovation of ideas, systems and means regarding the nation's safe use of energy, so that an ecological security environment conducive to economic and social development can be created. To coordinate the development of the digital economy and national security, it is necessary to attach great importance to data security issues, establish a systemic risk mechanism for the digital economy, increase the research and development of key and core technologies, and actively participate in the global governance of the digital economy.

How to Achieve both Equity and Efficiency: International Experiences of Common Prosperity

Chen Binkai and Ma Yanlai

44

Common prosperity is a major historical mission in the new journey of building a modern socialist country in an all-round way. Promoting common prosperity for all Chinese people is an important historical task in China's new stage of development. In view of the current severe global inequality, this article systematically combs the historical process and institutional policies of income distribution in typical countries, summarizes the typical facts of income distribution and economic development in major countries in the world from the perspective of fairness and efficiency, discusses the possible ways to improve income distribution, and provides reference for China to achieve common prosperity. It is found that Japan, South Korea and other Asian economies have achieved both fairness and efficiency amid rapid economic growth; since the 1980s, the US and the UK have paid more attention to efficiency improvement, and the income gap has widened accordingly; Nordic countries have attached more importance to social equity, but the problem of declining economic efficiency has become prominent in recent years; Latin America and some developing countries now face the risk of losing on both equity and efficiency fronts. Those international experiences show that the key to achieving common prosperity is to promote equality of opportunity, which can improve economic efficiency while promoting social equity. On the road to common prosperity, primary distribution is fundamental, and equal opportunities in factor and product markets are the basis for achieving common prosperity; secondary distribution is the key, and its main approach is to promote common prosperity through equalized public services.

Institutional Rationale, Competitive Advantage, and Government Intervention: Decomposition and Synthesis of American Industrial Policy

He Jun

70

To bridge the long-standing debate on the US' industrial policy and unravel the "American mystery" of industrial policy research, this article decomposes and categorizes the US' industrial policy system based on two dimensions: "obvious/hidden" (regarding discrimination of policy resource allocation) and "light/heavy" (regarding policy resource input intensity), and, based on the above decomposition, synthesizes the US' industrial policies from the perspectives of competition rationale and institutional logic, to objectively highlight the structural characteristics and evolution of those policies. Although its "heavy/hidden"

industrial policy of using military industry to drive civilian technological breakthroughs and constantly shape new innovation entities has typical US characteristics, the uniqueness and key success factors of the US' industrial policy lie in the cleverly designed governance structure behind its policy tools, which is conducive to the formation of strong policy capabilities and the maximum coordination of market competition and government intervention, as well as dynamic adjustment of the combination of discretionary industrial policies based on market rationale and competition logic, which do not contradict each other. It should be emphasized that in the US' industrial policy decision-making framework, the "heavy/obvious" industrial policy is a surplus but irreplaceable option in the industrial development system, a fact that does not support the academic argument that strong selective industrial policies are ineffective. By comparing important facts in the practice of the US' industrial policy, the article argues that in China's context, there is broad space for deepening the discussion of such theoretical issues as government intervention boundaries, policy capabilities, and shaping innovative entities. While analyzing the US' industrial policies, the article, through proposing a general analytical framework for industrial policy analysis and synthesis logic, also contributes to the expansion of industrial policy theory framework.

Electric Vehicle Revolution: New Track for Industrial Competition among Major Countries

Li Wei, Zou Yue and Zhu Caihua

93

The automobile industry is a pillar of the national economy, and, as it is closely related to many sectors and contributes to development of other industries, has always been an area of strategic importance for industrial competition among major countries. Since the start of the industrial revolution, countries such as the United States, Germany, Japan and South Korea have successfully established their status as major automobile powers through technological innovation and capacity expansion, which has also contributed to their emergence as global industrial powers in different historical periods. The new technological route brought about by the electric vehicle revolution is reshaping the competition landscape of the global automotive industry, providing an important "window of opportunity" for latecomer countries to catch up. To compete on this new electric vehicle track, major economies have been cultivating a favorable environment for the development of electric vehicle industry chains through domestic industrial policies and international economic diplomacy. Faced with the rare opportunity to overtake other countries in the automotive industry and the increasingly fierce pressure from international competition, China needs to make efforts on both domestic affairs and diplomacy fronts to gain a dominant position in electric vehicle manufacturing and help China fulfill its dream of becoming a highly competitive player in the global automotive industry.

Digital Trade and Reconstruction of Global Trade Rules

Ma Shuzhong and Shen Yuting

118

In the era of the digital economy, the thriving development of digital trade calls for an accelerated reconstruction of global trade rules. Digital trade is a new form of trade activity that relies on information networks and digital platforms as important carriers, utilizing digital technologies to promote the exchange of goods and services. It emerges through two major pathways: trade digitization and digitalized trade. As digital trade continues to evolve, the value of data has been continually explored, diverse demands have been met, and the role of platforms has been significantly enhanced. Despite the thriving development of digital trade, global trade rules have lagged behind. On the one hand, some issues within the scope of traditional trade rules are yet to be fully applicable to the new scenarios of digital trade. On the other hand, there is a lack of legal rules specifically addressing new forms of digital trade. Facing the opportunities and challenges arising from the process of rule reconstruction at the multilateral, bilateral, and national levels, China should adhere to principles of equal-footed consultation, innovation leadership, open cooperation, and multilateralism; on the basis of encouraging domestic digital innovation to break through the blockade imposed by developed countries in some high-end sectors and improving digital trade regulations to form a “Chinese template”, China should play a leadership role as it participates in the global bilateral and multilateral negotiations to help form a global economic and trade rules system that is conducive to the high-quality development of China’s digital trade.

New Trends in Global Digital Trade Rule-making and China’s Strategic Choice

Liang Guoyong

139

Against the backdrop of the rapid digitalization of the world economy, major economies have been actively promoting the formulation of digital trade rules at the regional and bilateral levels. A number of new digital trade agreements have emerged, covering a wide range of issues and introducing high-quality standards. Those agreements go far beyond the e-commerce chapters of traditional free trade agreements and are expected to guide international rule-making. This article puts forward the concept of “new-type digital economic and trade agreements”, covering the e-commerce contents in such special agreements as the *Digital Economic Partnership Agreement* and the *US–Japan Digital Trade Agreement*, as well as such new pacts as the *Regional Comprehensive Economic Partnership* and the *US–Mexico–Canada Agreement*. On that basis, the article analyzes in detail the main features of relevant agreements, key issues of rule-making and policy stance of each economy. Given the importance of digital trade to economic development, the Chinese government faces a new strategic choice in the formulation of relevant international rules. The article puts forward policy suggestions on formulating digital trade development strategies and goals, improving the “China rules” in the field of digital trade, actively leading the formulation of digital trade rules, and promoting institutional opening-up and the “Digital China” initiative.

Digital Economy and International Taxation Solutions: Status Quo, Gaming and Prospect

Li Wen and Zhang Qiuying

156

To cope with the huge impact of the rapid advancement of economic digitization on existing international taxation rules, OECD established, under the mandate of the G20, the *Inclusive Framework on Base Erosion and Profit Shifting* (IF) and proposed the Two-Pillar Solution to address the taxation challenges arising from the digital economy. The solution was agreed upon by 136 IF members and endorsed by G20 leaders at the Rome Summit in October 2021. Pillar One focuses on the revision of rules on nexus and profit distribution, while Pillar Two focuses on the creation of the global minimum tax. However, the implementation of the Two-Pillar Solution will also depend on the revision of domestic tax laws and tax treaties at all jurisdictions. By the end of June 2023, progress has been made both at the OECD level and at the level of all jurisdictions, with the progress of Pillar Two significantly faster than that of Pillar One. Meanwhile, the Two-Pillar Solution faces many challenges. It is a result of the gaming between stakeholders. The main types of gaming include that between market jurisdictions and residence jurisdictions, between low-tax jurisdictions and high-tax jurisdictions, and between players with different interests within an economy. A possible prospect of the Two-Pillar Solution is that Pillar Two is implemented, while Pillar One runs aground due to the failure in the US, which is home to the major in-scope multinationals; the failure will lead to the proliferation of unilateral measures, such as the digital service tax, and reignite trade conflicts between the US and market jurisdictions. If unilateral measures and their associated trade conflicts are severe enough, the US may reconsider the implementation of Pillar One, while replacing Pillar One with a multilateral digital services tax may also be a possible option.