

Chapter 13

Research on the Strategy and Policy of Constructing a New Open System at a Higher Level



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In recent years, China has made great achievements in opening to the outside world. The layout of foreign trade, investment and region has been continuously optimized; important progress has been made in the new system of opening up to the outside world, and the ranking of business environment has jumped sharply. The construction of the “Belt and Road” Initiative has been deeply promoted, and the “Belt and Road” Initiative and its core concepts have been incorporated into the outcome documents of important international mechanisms such as the United Nations, APEC and the SCO, and its international acceptance has been continuously improved. The Initiative has played a constructive role in global governance and actively assumed international responsibilities and obligations.

In the medium and long term, China’s opening up will be faced with a new situation. The COVID-19 epidemic has had a great impact on the global industrial chain and division of labor system, but China’s economy withstood this severe test and took the lead in recovering from the epidemic, showing strong resilience and flexibility in the reconstruction of the global industrial chain. China will still be in an important period of strategic opportunities, but the phased adjustment of globalization may accelerate after the pandemic. The United States and other Western countries will strengthen their containment of China. The international expectation that China should assume more responsibilities will continue to increase. Therefore, the task of better safeguarding national security in opening up will become more arduous for China. It is thus suggested that with a broader vision, higher goals, more open mind and more powerful measures, we should push forward the construction of a new system of opening up to the outside world at a higher level and promote win-win cooperation from ten aspects, such as the layout of opening up to the outside world, the construction of a strong trading country, the opening up of service industry, the

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quality of introducing foreign capital, the “going out” of enterprises, and the opening up of finance and the construction of the “Belt and Road” Initiative.

13.1 New Trends Facing China’s Mid-to-Long-Term Opening up to the Outside World

According to an overall judgment, the phased adjustment of medium and long-term globalization will accelerate, and the game of benefit distribution will be more intense. China remains in a period of strategic opportunities, but the tendency of external blockade and containment of China in western countries such as the United States has strengthened. Moreover, China’s status as a developing country will be questioned, and ensuring security in China’s opening up will become a more arduous task.

13.1.1 Phased Adjustment of Globalization May Accelerate and the Competition of Benefit Distribution Will Become More Intense

Economic globalization is an inevitable result of the progress of science and technology and of the development of productive forces in human society. It is the trend of the times that a country must face in its development. The process of world economic development shows that the world economy will prosper and develop with the deep advancement of economic globalization. With the rise of backlash against globalization, the world economy will be sluggish. A new round of scientific and technological revolution with artificial intelligence, quantum computing, blockchain, etc. as its main contents is vigorously advancing. These new technologies are characterized by openness, sharing and decentralization, which will further promote the development of economic globalization. In the long run, therefore, globalization is the trend of the times and also a historical law, and will not be changed by the will of a few countries or people.

However, the United States and other western countries are extremely dissatisfied with the distribution pattern of benefits brought about by globalization. With the global industrial division of labor and the extension of industrial chain to developing countries, the problems of hollowed-out industries and gradually unbalanced economic structure in developed countries have become increasingly serious. This will, on the one hand, lead to the fact that multinational companies in developed countries may reap benefits from their advantage of seizing the high end of the industrial chain and financial capital, and will, on the other hand, lead to a decline in the income of industrial workers and the middle class in developed countries, thus widening the gap between the rich and the poor, causing public dissatisfaction

and directly contributing to the regional growth of far-right political forces and the emergence of populism in the United States and other Western countries.

By use of power politics, the United States and other Western countries intended to direct the new round of globalization towards their interests. The United States and other countries that have failed to contain the COVID-19 epidemic deliberately accused China in order to scapegoat others for its own malaise because they encourage the development of trade protectionism, close-door policy and backlash against globalization. Their purpose is to redefine the reality of economic globalization in the name of counter-economic globalization, try to dominate and re-formulate the rules and order of economic globalization, and continue to maximize their interests and advantages over developing countries.

It is a historical mission of the times for China to actively participate in global governance and promote the formation of a new pattern of world development that allows each country to make use of its own advantages. In the medium and long term, the global economy will still face problems such as slow growth, insufficient development momentum, more uncertainties and unstable factors, increased risks of economic downturn, and fierce contest between multilateralism and unilateralism. For traditional economic globalization, we urgently need to promote innovation in concepts, models and cooperation mechanisms. As the world's second largest economy and the largest trading country, China has been committed to safeguarding and enhancing its own interests and has also assumed international responsibilities on the basis of the continuous development of its own national strength, so as to continue providing the world with new development ideas and opportunities. As an advocate, practitioner and pioneer in promoting new economic globalization, China will achieve an organic unity of national interests and international responsibilities and chart the course for economic globalization at the crossroad in order to provide new impetus for the world economy and achieve a more inclusive and open development goal.

13.1.2 China Remains in an Important Period of Strategic Opportunities as it is Faced with Blockade and Containment by the United States and Other Western Countries

Great changes rarely seen in a century did not end the important strategic opportunity period of China's development; instead, it laid an important foundation for extending the important strategic opportunity period of China's development and achieving higher development goals.

First, China's development process and great achievements since the reform and opening-up have laid a solid foundation for extending the period of important strategic opportunities. China is already the second largest economy in the world, and its economy continues to maintain medium and high-speed growth. With the deepening

of supply-side structural reform, China has achieved rapid progress in economic structure optimization, digital economy and infrastructure works such as high-speed rail, highways, bridges, ports and airports. With the growing population of middle-income groups, China has upgraded its consumption structure. All these indicate that China's huge market has bolstered its rapid economic development. The rapid growth of China's comprehensive national strength is of great historical significance. On the one hand, it consolidates the foundation of the world's theme of peace and development, which means that China can still strive for an overall peaceful international environment in the medium and long term. On the other hand, the improvement of global governance will never be separated from Chinese wisdom, Chinese plan and Chinese strength. Guided by the idea of building a community with shared future for mankind, China advocates a more open, tolerant, inclusive, balanced and win-win economic globalization, which has won the support of most countries in the world.

Second, China is provided with outstanding institutional advantages. Since the reform and opening-up and with the leadership of the Communist Party of China, China has embarked on the road of socialism with Chinese characteristics, carried out socialist market economy reform, steadily promoted the modernization of state governance, and maintained social harmony and stability. Therefore, China has outstanding institutional advantages. In 2020, at the outbreak of the COVID-19 pandemic, China won a decisive victory in epidemic prevention and control in a relatively short period of time, which indicates China's institutional advantage of "coordinating all our efforts to complete key national undertakings", and forms a huge contrast with the anti-epidemic efforts of Western countries led by the United States. The socialist system with Chinese characteristics is based on the reality of Chinese society and is formed by long-term development, gradual improvement and endogenous evolution on the basis of Chinese historical inheritance, cultural tradition and economic and social development. It is gained by absorbing the positive and negative experiences of socialist construction and coping with complicated challenges at home and abroad. Therefore, it can provide institutional guarantee for China's long-term development in an important period of strategic opportunities.

Third, western countries, led by the United States, are hampered by increasing contradictions within and among themselves. On the whole, the United States is accelerating the reduction of its heavy international obligations, showing a trend of strategic contraction. Since January 2017, the United States has successively withdrawn from some international organizations and treaties,¹ such as the *Trans-Pacific Partnership (TPP)*, the *Paris Climate Change Agreement*, UNESCO, the *Global Compact on Migration*, the *Joint Comprehensive Plan of Action*, the United Nations Human Rights Council, and the *Intermediate-Range Nuclear Forces Treaty*. The United States also threatened to withdraw from NATO, the *Vienna Convention on Diplomatic Relations*, the World Trade Organization and even the United Nations. The United States' withdrawal has brought the international order into a more chaotic and changeable era, causing dissatisfaction among its allies. Moreover, under the guidance of the Trump administration's "America First" principle, the United States

¹ Wu (2019).

provoked trade frictions against its major economic partners and allies, demanding the revision of various bilateral and multilateral trade agreements, forcing allies to expand and open their markets, and further increasing the contradiction between the United States and its allies. Meanwhile, in the western countries led by the United States, there are still serious problems in national governance, and their economic competitiveness, political legitimacy, social stability and comprehensive national security have declined to varying degrees.

The resentment between the few elites at the upper level of society and the general public at the bottom is increasing, and their internal populist thoughts and movements are constantly advancing to the “left” and “right” extremes. The intensification of contradictions between and within western countries led by the United States will restrict the exertion of their foreign strategic intervention ability.

However, China’s economic development momentum has been strong in recent years. The rapid improvement of economic strength and status has inevitably caused the alert of the United States and other western countries, and the risk of economic isolation by adopting exclusive policies against China has risen. The process of China’s opening to the outside world may be disturbed by various factors, such as economic and trade friction, technical blockade, financial sanctions and difficulty in reaching bilateral and regional agreements. The United States and other western countries generally believe that China has long used the world economic system created by western countries to promote its own strategic goals, and tried to strengthen the government-led economic development model.

After the Trump administration took office, it directly positioned China as a primary strategic competitor, and consecutively released the *National Security Strategy*, *National Defense Strategy*, *Nuclear Posture Review* and *Indo-Pacific Strategy Report*. Under the guise of safeguarding national interests and national security, the Trump administration determined the “road map” to contain and suppress China in various fields. Not only is it pressing on the trade issue step by step, but it also uses its own scientific and technological hegemony to establish vicious restrictions on China, and implements a ban on the sale of science and technology, in an attempt to promote the withdrawal of industrial chain from China and weaken China’s influence in the international economic system. Moreover, by strengthening the Committee on Foreign Investment (CFIUS) and other mechanisms, Trump administration discriminated against Chinese investors and strictly examined and reduced direct investment of Chinese enterprises in the United States, especially the mergers and acquisitions of technology enterprises. What’s more, the United States encourages its allies to abandon normal economic and trade cooperation with China, which makes it difficult for China to reach bilateral and regional agreements.

13.1.3 China's Status as a Developing Country to be Increasingly Questioned

According to per capita gross national income (GNI), the World Bank divided the world economy into four income groups, i.e. high-income, upper-middle-income, lower-middle-income and low-income groups. According to the World Bank's 2017 standard, the per capita GNI of about \$12,235 becomes the threshold for high-income countries. In 2019, China's gross domestic product (GDP) exceeded 99 trillion yuan, and the total economic output reached 14.4 trillion US dollars at the average exchange rate. Based on 1.40005 billion of Chinese people on the mainland at the end of 2019, the per capita GDP reached 70,892 yuan, which is converted into 10,276 US dollars at the annual average exchange rate. Since the World Bank generally regards middle and low income countries as developing countries, even if we take the most conservative forecast of an average annual growth rate of 5%, China will "graduate" from the developing countries defined by the World Bank after 2023.

Western countries, led by the United States, will spare no effort to challenge China's status as a developing country. To measure a country's development level, we should not focus on one point or one field, but should make a comprehensive assessment. China is undoubtedly still a developing country because of the large urban-rural gap, regional disparities and unbalanced economic development. However, the United States and the European Union challenged China's entitlement to the special and differential treatment. For example, the Trump administration submitted a draft to the WTO General Council in July 2019, requiring that all countries listed by the World Bank as high-income countries, OECD members, G20 members or those accounting for at least 0.5% of global commodity trade be disqualified as developing countries, and should not ask for differential and special treatment in future rounds of WTO negotiations. Among the above four prerequisites, China will meet three in the medium and long term.

In fact, the Office of the US Trade Representative unilaterally announced in February 2020 that some trading partners, including China, were no longer recognized as "developing countries". Moreover, the expectations of other countries on China in the world will also change. China has conformed to the trend of peace and development, actively embraced the world and integrated into the world. While realizing its own development, China has also brought more opportunities and vitality to world development, made great contributions to the world peace and development, assumed more responsibilities, and demonstrated its role as a permanent member of the UN Security Council and a major economy in the world. While applauding China's active implementation of its international responsibilities and obligations, other countries have also expected China to assume more responsibilities.

Therefore, WTO principle members have different standpoints on China's status of a developing country and "special and differential treatment". It is difficult to see the possibility of bridging these differences in a short term. However, this issue will lead to a fact that the obligations undertaken by China in WTO, such as market access, tariff and non-tariff reduction and exemption, will gradually align with the current

standards of developed countries. China will face increasingly severe competition rule in opening wider to the outside world.

13.1.4 More Arduous Task to Ensure Security in Opening Wider

To realize the Chinese dream of the great rejuvenation of the Chinese nation, national security is the top priority. Since the 18th National Congress of the Communist Party of China, national security has received unprecedented attention, and the related work process has obviously accelerated. Great achievements have been made in leadership system, working mechanism, ideological theory, rule of law, publicity and education. As an important part of Xi Jinping's thought of socialism with Chinese characteristics in the new era, the overall view of national security has become one of the basic strategies of socialism with Chinese characteristics in the new era. However, the medium and long-term security challenges, especially major security risks, will increase day by day, and penetrate quickly into such fields as politics, economy, culture, society, ecology and national defense. Potential safety hazards in any field may harm the vital interests of the masses, and even affect the national interests and the great cause of national rejuvenation.

With the further deepening of opening up, there will emerge more risks in domestic industrial security, financial security and digital and network security. Due to the increasingly complex development and evolution of the international situation, the increasingly tortuous adjustment of the world economy, the increasingly acute international contradictions and struggles, and the rapid cross-border flow of various factors affecting national security, there will be various foreseeable and unpredictable security risks and challenges. In the industrial field, for example, there are many acute bottlenecks hampering China's production technologies, software and key components. In addition, the COVID-19 epidemic has made countries realize the importance of a complete domestic industrial chain in the face of major external shocks, which may increase the risk of China's industrial chain moving out too fast. In the financial field, financial opening has brought about the rapid entry of a large number of foreign-funded financial institutions into China, and fierce competition may increase the risk of domestic financial institutions. Liberalization of capital accounts may also be accompanied by the increase of cross-border capital flow risks. In the field of digital and cybersecurity, the national key information infrastructure is facing great potential risks due to China's fragility in network security prevention and control. Without the international rules of digital and cyberspace generally accepted by all parties, it is difficult for China to cope with transnational problems such as cyber terrorism, cyber crime and cyber fraud brought about by its open-door policy.

Moreover, with the increasing degree of opening to the outside world, the task of ensuring the safety of China's overseas interests will become more arduous. In the medium and long term, traditional and non-traditional global security issues will be

more closely intertwined, and extremism and terrorism will continue to spread. With the increase of China's overseas investment and personnel, and a large proportion of them are concentrated in countries and regions with high political risks, the economic, security, political, social and legal risks and challenges faced by China's overseas interests have become increasingly prominent. In addition, we have to deal with the double standards of some countries for Chinese-funded enterprises, projects and personnel according to their domestic laws, so the task of safeguarding overseas interests will be even more arduous.

13.2 New Strategies for Opening Wider in the Medium and Long Term

In the medium and long term, socialism with Chinese characteristics will enter a new era, and opening to the outside world will also step into a new era. In the face of new situation and new mission, new strategies are needed to guide China's opening wider to the outside world.

Guided by Xi Jinping thought on socialism with Chinese characteristics for a new era, we will implement the spirit of the 19th CPC National Congress and the Second, Third and Fourth Plenary Sessions of the 19th CPC Central Committee. We will press ahead while maintaining stability. We will adhere to the new development concept, carry out the supply-side structural reform, and promote opening up with broader visions, higher goals, more open mind and more powerful measures. Efforts will be made to turn risks and challenges into great potential energy for changing modes, adjusting structures and increasing power. We will maintain and make good use of the important strategic opportunity period to achieve a higher level of development, and accelerate the formation of a new development pattern in which domestic economic circulation plays a leading role while international economic circulation remains its extension and supplement, so as to promote the high-quality development of China's economy.

The *Decision of the CPC Central Committee on Major Issues Concerning Upholding and Improving the System of Socialism with Chinese Characteristics and Advancing the Modernization of China's System and Capacity for Governance* was adopted at the Fourth Plenary Session of the 19th CPC Central Committee. In view of opening to the outside world, three requirements are clearly put forward, namely, "building a new system of open economy of higher standards", "promoting the construction of an open system with win-win cooperation" and "actively participating in the reform and development of the global governance system",² which points out the direction for opening to the outside world in the medium and long term. As the world's second largest economy, China is required to maintain its weight ratio to the global market and its contribution rate to the world economy, to undertake more efforts to safeguard the international multilateral trading system and the

² *People's Daily* (2019).

overall situation of economic globalization, and to ensure high-quality economic development and safeguard its legitimate rights and interests.

On this basis, in order to better participate in the reconstruction of the global industrial chain in the post-epidemic era, the CPC Central Committee with comrade Xi Jinping at its core has made a major strategic plan of “gradually forming a new development pattern in which domestic economic circulation plays a leading role while international economic circulation remains its extension and supplement” on the basis of comprehensively coordinating the two major domestic and international situations. In order to implement this deployment, we suggest that the medium and long-term strategy of deepening opening-up should be expressed as promoting the building of a new system of opening-up for cooperation.

The reasons for making above suggestions are as follows. First, a system is a whole composed of things within a certain range or of the same kind according to a certain order and internal relations, and it is a collection of institutions or systems. Therefore, the system is more extensive than the institution. Second, the Central Economic Work Conference in December 2019 has clearly defined the task of opening to the outside world in 2020, i.e. “promoting higher-standard opening up”, and the medium and long-term tasks will aim to open wider on this basis. Finally, actively participating in the reform of global economic governance is a means to promote a higher-standard opening and build an open system for win-win cooperation, which can and should serve the building of a new, open and higher-standard system for win-win cooperation.

To follow the new trend of China’s opening to the outside world in the medium and long term, we will push forward the building of a new higher-standard system for win-win cooperation, which at least includes the following four strategic points.

First, we will create a higher-standard open world economy to better serve the overall development of China. Since the 18th CPC National Congress, China has successively launched major opening-up measures, such as setting up free trade pilot zones, promoting the “Belt and Road” Initiative, actively expanding imports, and promoting the construction of Hainan Free Trade Port. China has also made important progress in expanding the breadth and depth of opening-up, and actively promoted the integration and development of China and the world and mutual benefit and win-win results. So, China can hardly make economic development achievements without the open condition. Now, these achievements have enabled China to shape its favorable external environment to a certain extent. According to the requirements of the Fourth Plenary Session of the 19th CPC Central Committee and major deployment of the new development pattern, we will create a higher-standard open world economy in the medium and long term so as to promote the formation of benign interaction of both domestic and international cycles with higher-standard opening and create a good external environment for China’s domestic development. To this end, China needs to promote opening from manufacturing to services, realize opening transformation based on service trade, shift from opening of commodity and factor mobility to opening of systems and institutions such as rules, regulations, management and standards, strengthen institutional and structural arrangements, build a high-standard market economy, maintain the safety of industrial chain and supply chain, foster new

advantages in participating in international cooperation and competition, and better serve the overall development of the country.³

Second, we will create an internationally advanced business environment to better enhance China's global competitiveness. In the medium and long term, China's economy will gradually enter a high-quality development stage. The high-quality development requires not only the transformation of development mode and growth path but also institutional reform and mechanism innovation. Optimizing the business environment is the systematic and institutional arrangement of development, and will make difference in the rise and fall of market players, the convergence and dispersion of production factors and the strength of development momentum in the context of fierce international competition. A good business environment is not only an important embodiment of economic soft power but also one of the key elements of a country or region's competitiveness. According to the requirement of the Fourth Plenary Session of the 19th CPC Central Committee and the major arrangements of new development pattern, in the medium and long term, we will vigorously develop new information and communication systems represented by 5G, and create a more internationally competitive infrastructure environment for enterprise development. In addition, we will reduce the production and operation costs of enterprises by vigorously reducing taxes and fees, substantially relax market access and simplify examination and approval procedures through high-level trade facilitation and investment liberalization policies and measures. We will also effectively reduce the institutional transaction costs of enterprises, attract the agglomeration and allocation of various high-end resource elements, and realize the transformation from cost advantage to comprehensive competitive advantage based on talents, capital, infrastructure, technology, services and brands.⁴ A more open, legal and convenient business environment will be created at an internationally advanced level so as to enhance China's comprehensive strength in participating in international competition, and cultivate new advantages in opening up to the outside world, thus providing strong support for higher-standard opening.

Third, we will adhere to the vision of building a community with a shared future for mankind and better enhance the leading role of global governance. The reform of global governance system is currently at a turning point in history. With such challenges as the escalating global trade protectionism, the prominent negative spillover effect of macro policies, the large income gap between individuals and regions, and the instability of international monetary and financial system as well as problems including inefficiency and lack of representativeness in global economic governance, major powers in the world urgently need to strengthen coordination and cooperation to jointly cope with global problems such as climate anomaly, infectious diseases and terrorism. China's economic strength accounts for a rising proportion of the world's economy. In order to realize the benign interaction between domestic and international cycles, seize development opportunities and make the future world order more just and reasonable, the Fourth Plenary Session of the 19th CPC Central Committee

³ Zhong (2019).

⁴ Zhang (2020).

has made major deployment of the new development pattern. In the medium and long term, we will advocate extensive consultation, joint contribution and shared benefits in global governance, adhere to multilateralism, safeguard international fairness and justice, and promote the democratization of international relations. We will promote the development of global governance systems and mechanisms in a more just and rational manner, so as to occupy the commanding height of international morality, promote the building of a new type of inter-state relations, promote the building of a community with shared future for mankind, and provide China's plan for mankind to explore a better social system.

Finally, we will establish a high-standard security mechanism to better safeguard national security and development interests. In the medium and long term, China will remain in an important period of strategic opportunities, but the security environment is getting more complex, and the security issue is becoming more comprehensive, complex and variable than ever. As traditional security threats are intertwined with non-traditional ones and superpower games are getting more intense, China will face more national security threats and accomplish an increasingly complex and arduous task of safeguarding national security and development interests.⁵ In order to curb China's development, the United States and other Western countries abused state power to discredit and suppress specific Chinese enterprises by hook or by crook, which has not only destroyed the legitimate rights and interests of Chinese enterprises, but also seriously damaged the normal operation of global industrial chain and supply chain.

To prevent the great rejuvenation of the Chinese nation from being delayed or interrupted, in accordance with the requirements of the Fourth Plenary Session of the 19th CPC Central Committee and the major arrangements of the new development pattern, we will improve the national security legal system, establish high-standard mechanisms for national security risk judgment, prevention and control coordination, and actively take practical and effective management measures to strengthen the safety protection of major overseas projects and personnel, safeguard sovereignty, security and development interests, create a good external environment, and provide a strong guarantee for safeguarding national security and development interests.

13.3 Policy Suggestions for Building a Higher-Standard New System for Opening and Win-Win Cooperation

To meet the requirements of promoting a new, open and higher-standard system for win-win cooperation in the medium and long term, we suggest our priorities focus on the following ten aspects.

⁵ Du (2013).

13.3.1 Constantly Optimizing the Layout of Opening up to the Outside World

We will spare no efforts to promote openness and cooperation at bilateral, multi-lateral, regional and sub-regional levels. On the basis of consultation and dialogue and in accordance with relevant principle and flexibility, we will properly solve outstanding problems in Sino-US economic and trade cooperation, implement the *Regional Comprehensive Economic Partnership (RCEP)*, promote early conclusion of China-Japan-Korea Free Trade Area and China-EU Comprehensive Agreement on Investment negotiations, and promote negotiations on entry into the CPTPP and the building of the Asia-Pacific Free Trade Area.

Efforts will be made to implement the coordinated regional development strategy and promote opening in all respects. More efforts will focus on accelerating higher-quality integration of the Yangtze River Delta, the construction of Belt and Road initiative, the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Yangtze River Economic Belt, the construction of Guangdong-Hong Kong-Macau Greater Bay Area, etc., and form an all-round opening pattern with complementary advantages, division of labor and cooperation, and balanced coordination among the eastern, central and western regions. We will earnestly create a new highland for coastal opening, build a number of international metropolises and urban agglomerations to provide service for the whole country and world, and set up a coastal economic belt with stronger international influence. With improvement of the new inland opening mechanism, we will promote the coordinated development of inland trade, investment and technological innovation, make innovation of the processing trade model, and form an institutional mechanism conducive to promoting the development of inland industrial clusters. New fulcrums for opening up along the border will be created to build key development and opening-up pilot zones and border economic cooperation zones along the border into important platforms for cooperation between China and neighboring countries, and accelerate the pace of opening up along the border.⁶

We will further optimize the international market layout. We will guide and support enterprises to explore diversified export markets, stabilize the markets of traditional developed countries such as Europe and the United States, actively expand the markets of countries along the Belt and Road, steadily increase the proportion of free trade partners, emerging markets and developing countries in China's foreign trade, expand the scale of trade with neighboring countries, and consolidate and enhance China's share and influence in the global market.⁷

⁶ Si (2019).

⁷ Zhong (2019).

13.3.2 Accelerating the Building of a Strong Trading Country

We will consolidate the industrial base of China as a strong trading country. In conformance with the trend of the new round of scientific and technological revolution and industrial transformation, we will accelerate the intelligent, green and refined transformation of traditional labor-intensive industries, promote independent R&D capability of core technologies, upgrade the level of innovation and “smart manufacturing”, and continuously improve the scientific and technological content and added value of products. Seizing the opportunity of reconstructing the global value chain and reshaping the industrial division of labor, we will upgrade China’s industry to the high end of the value chain.

The scale and quality of imports will be expanded. Great importance will be attached to reasonable balance between export and import. By virtue of China International Import Expo, we will take various formal or temporary methods to continuously reduce the overall level of China’s import tariffs, actively expand the import of foreign high-quality goods and services, and further enhance the attractiveness and influence of China’s internal market. We will optimize the import structure and promote the upgrading of domestic production and consumption. We will increase imports to countries along the Belt and Road, and continue to implement preferential arrangements for importing goods and services from least developed countries.

We will actively create new modes of trade. Our priorities include strengthening general trade, upgrading processing trade and developing border trade. With the development of new technologies such as “Internet +” and artificial intelligence, we will actively develop modern service trade. A brand union will be set up to achieve unified management of brands in new advantageous fields such as high-speed rail and nuclear power, so as to foster a number of Chinese brands and multinational companies with national competitiveness. We will accelerate the improvement of China’s capability to set international standards for foreign trade. By seizing the opportunity of setting international standards for new industries, new technologies and new products, we will formulate a “going abroad” plan to export products, technologies, services and standards worldwide, and firmly occupy the commanding heights of foreign trade development and global industrial chain.⁸

We will promote the construction of the Pilot free trade zones with higher standards and quality. In free trade zones, we will liberalize investment, trade, capital, transportation, personnel and fast information connectivity, and implement an internationally competitive tax system and a comprehensive risk management system. Free trade zones will be allowed to play their exemplary roles in economic activities. Each trade pilot zone will be encouraged to carry out differentiated exploration according to local conditions, and embark on a distinctive development path.

We will build a high-standard FTZ network. The coverage of the free trade zone network will be enlarged to promote the negotiation and signing of high-standard free trade agreements and regional trade agreements with more countries. Negotiations will be held on new issues such as environmental protection, investment

⁸ Sheng (2018).

protection, government procurement and e-commerce. We will also conduct negotiations on high-level bilateral investment treaties and various forms of preferential trade arrangements with relevant economies.

13.3.3 Opening Wider the Service Sector to the Outside World

We will consolidate the foundation for opening services to the outside world. Overall plans will be formulated for the entry of foreign capital and private capital into China's market, and all types of ownership will be treated equally without discrimination. We will explore a more streamlined negative list of service industry opening. The experience of pilot free trade zones and comprehensive pilot opening of the service sector will be promoted nationwide. Industrial subsidies for individual enterprises and industries will be substituted by providing better infrastructure and market environment for industries in need of support. We will align with internationally advanced rules, including intellectual property rights, legal affairs and production standards of service industries, so as to create international business environment based on market and laws.

We will further the liberalization and facilitation of service trade. The service trade management system and policy system will be improved to make innovation of the development model and supervision model and enhance the liberalization and facilitation of service trade. Export of emerging services and import of key services will be encouraged. We will promote the opening of key service trade areas, eliminate trade barriers in the fields of finance, transportation, medical care and services, and continuously widen and deepen the opening up in service trade areas.

We will establish a negative list management system for cross-border trade in services. The market access system will be improved for service trade under the modes of cross-border delivery, consumption abroad and natural person movement, so as to promote implementation of the national treatment and negative list system for foreign investors in the service sector.

We will ensure that the eastern region and the pilot free trade zones play a leading role in expanding the opening of service trade. The pilot role of above areas in the opening of service sector will be enhanced by introducing international practices, market access rules and management methods, relaxing entry barriers and business scope restrictions and expanding open areas. We will also constantly implement economic and trade rules in the international service sectors and align with international standards to promote further opening of China's service sector.

We will establish service trade cooperation mechanisms with more countries. Service trade will be added into multilateral and bilateral free trade negotiations so as to promote the process of multilateral and bilateral free trade based on expanding the opening of service trade, and establish a mechanism for service trade negotiations based on the negative list for foreign capital's entry into Chinese market. We will increase free trade with countries and regions along the Belt and Road in education,

health, medical care and tourism. Import of services will be further expanded through China International Import Expo.

13.3.4 Improving the Quality of Foreign Capital Utilization

We will comprehensively implement the management system of pre-establishment national treatment and a negative list for foreign investment. The negative list will be shortened through the country and in pilot free trade zones to allow sole proprietorship of foreign investors in more sectors. We will cancel the restrictive measures that have not been included in the negative list for foreign investors' access to Chinese market and pilot free trade zones, revise or abolish relevant regulations and normative documents and improve relevant procedures in a timely manner.

More efforts will be made to protect the legitimate rights and interests of foreign-funded enterprises. We will resolutely implement the Foreign Investment Law and its implementing regulations, strengthen the standardization of the implementation of regulatory policies, improve the transparency of the formulation of administrative normative documents, and protect the legitimate rights and interests of foreign-invested enterprises. We will step up efforts to protect intellectual property rights of foreign-funded enterprises, establish and improve a complaint mechanism for foreign investment, seriously handle various issues raised by foreign-funded enterprises, especially strengthen fair competition review of newly formulated laws, regulations and policies, and urge domestic enterprises to follow the principle of "competition neutrality". A world-class business environment will be created based on market and laws to further enhance China's international competitiveness in attracting foreign investment.

We will further optimize the structure of foreign direct investment. Chinese enterprises will be guided, encouraged and supported to attract investment in key areas such as production service industry, modern pharmaceutical industry, electronic information industry, high-end manufacturing, intelligent manufacturing, green manufacturing and high-end links of the value chain. Foreign enterprises will be encouraged to set up regional headquarters, research and development centers, procurement centers, financial management centers and other functional institutions. Foreign-funded enterprises will be encouraged to make more investments in the central and western regions, so as to realize rapid development of foreign capital economy in the central and western regions, and optimize the regional distribution pattern of foreign capital. We will deepen reform of the evaluation system of investment promotion by improving quality and efficiency, and gradually form a positive guiding mechanism for investment promotion.

We will increase negotiations of bilateral and multilateral investment agreements. Our work in this regard includes improvement of the China-EU investment treaty, bilateral and multilateral investment agreement negotiations with CPTPP member countries and developed countries such as South Korea and the United States, the

construction of a new multilateral investment framework, and the establishment of bilateral and multilateral investment systems.

13.3.5 Supporting Chinese Enterprises to “Go Global” and Participate in the Reconstruction of the Global Industrial Chain

We will safeguard the safety of national industrial chain. From the perspective of national strategy, we will strengthen top-level design, accelerate import substitution of key leading industries with global influence, strengthen innovation investment in high-end manufacturing industries, and comprehensively enhance China’s position in the global value chain. We will work out a plan for the state to support enterprises to “go global” and participate in the restructuring of the global industrial chain, and support more enterprises to integrate deeper and wider into the global division of labor system. Based on the advantages of China’s economic scale and expanding market, we will build world-class cities and create a platform to absorb the world’s advanced production factors and promote the industry to move towards the middle and high end.

A group of new leading entities will be fostered to participate in global competition and dominate the global industrial chain. Support will be provided for the development of multinational enterprises with the ability to integrate upstream and downstream of the industrial chain, give full play to the functions of organization, integration, production and services, encourage technology, standards, products and services to “go global”, and enhance our ability to integrate the global industrial chain. We will encourage qualified Chinese enterprises to establish and improve the global R&D, production and marketing system by participating in cross-border mergers and acquisitions and equity cooperation. We will also enhance the international layout level and operational capability of the industry, actively build a global supply chain led by Chinese enterprises, and consolidate the position of Chinese industries in the global value chain.⁹ Efforts will be made to stimulate the innovation vitality of state-owned enterprises, modern research institutes and new R&D institutions, so as to establish an evaluation system that adapts to major technological research and cultivation of leading enterprises in the industrial chain. We will also increase support for “specialized and innovative” SMEs, and encourage SMEs to participate in the research and development of key common technologies.¹⁰

The industrial chain will be reconstructed through international cooperation. The alignment of infrastructure construction plans and technical standard systems of countries along the Belt and Road will be consolidated to promote integration of industrial chains, encourage more countries to integrate into the global industrial chain network system, and upgrade the global layout of Chinese industries.

⁹ Lu (2019).

¹⁰ Sheng (2020).

13.3.6 Steadily Promoting Financial Openness

The management system of pre-approval national treatment and a negative list for foreign investment has been fully implemented in the financial sector. Both Chinese-funded and foreign-funded institutions can enter the fields and businesses outside the negative list equally according to law. The same regulatory requirements and standards are applied to Chinese-funded institutions and foreign-funded institutions in terms of shareholding ratio, establishment form, shareholder qualification, business scope and number of licenses so that domestic and foreign-funded financial institutions are treated equally in a more transparent and international practice way.

We will continue to accelerate the connectivity and two-way opening of financial markets. The foreign exchange management system will be reformed and improved for qualified institutional investors, so as to facilitate and standardize domestic issuance of bonds and money market instruments by overseas institutions. Support will be provided for domestic financial institutions to participate in international financial markets. Chinese-funded institutions will be allowed to participate in offshore RMB markets. Securities and futures institutions will be allowed to carry out cross-border business, for the purpose to expand pilot projects for settlement and sale of foreign exchange by securities companies. We will continue to deepen the market-oriented reform of RMB exchange rate. We will continue efforts in the reform of the RMB exchange rate formation mechanism, improve the managed floating exchange rate system based on market supply and demand, enhance the flexibility of the RMB exchange rate, and give full play to the regulatory role of the exchange rate in macroeconomic stability and balance of international payments. In addition, the reform of exchange rate formation mechanism will cooperate with the process of opening up the financial industry and convertibility of capital account.

We will quicken the internationalization of Renminbi. Overseas financial institutions and funds will be encouraged to enter Chinese financial market, so as to accelerate innovation of international financial products which are denominated, traded and settled in RMB, and strive to expand the types and scale of RMB assets that overseas institutional investors can hold. We will further improve the cross-border use policy of RMB, encourage the use of RMB for pricing and settlement in economy, trade, infrastructure investment and industrial park construction of countries along the Belt and Road, and expand real demand of RMB in countries along the route. Full use will be made of the pricing role of RMB in bulk commodities to consolidate the pricing power and international status of RMB based on bulk commodities such as gold, crude oil and iron ore. While accelerating the internationalization of RMB, we should establish and improve the macro-prudential policy system to prevent the occurrence of systemic financial risks.¹¹

¹¹ Liu (2019).

13.3.7 Deepening the Building of the Belt and Road and Promoting Institutionalization of the “Belt and Road” Initiative

We should strengthen relevant mechanism to provide solid support for building the “Belt and Road” Initiative with high quality. We will improve the development mechanism of Belt and Road projects, do a good job in project selection, construction and evaluation, and promote sustainable development of these projects. We will build a smooth trade mechanism, conclude bilateral or multilateral free trade agreements with countries along the route, and provide mechanism guarantee for trade liberalization and facilitation.

We will join hands with countries along the route to build a security guarantee system. Under the guidance of the overall national security concept and through improving China’s overseas security capability and level, we will strengthen the overall planning and unified deployment of the Belt and Road security, and explore and build the overseas security risk identification, prevention and control and emergency response system framework with countries along the route.

We will promote the establishment of the Belt and Road free trade zone network. Based on existing free trade agreements, we will actively negotiate agreements with countries that are economically advanced, politically stable, highly opened and strategically important along the route, and will promote the construction of free trade zones in batches. Meanwhile, we will conduct negotiation on upgrading the existing free trade agreements, and consolidate these agreements with the help of SCO, China-ASEAN Free Trade Area and China-South Korea Free Trade Area, so as to build a platform for bilateral and multilateral trade exchanges and cooperation and further improve the level of trade and investment facilitation and liberalization along the Belt and Road. An effective dispute settlement mechanism recognized by the international community will be established to strengthen the coordination of judicial systems among different countries. We will explore ways and means for arbitration in support of international dispute settlement mechanisms such as trade and investment, and ensure the implementation of bilateral investment agreements and free trade zone agreements among countries along the route. Eventually, there will form a high-standard free trade zone network that is based on the periphery, radiates to BR countries and faces the world.

We will promote green and sustainable development of the “Belt and Road” Initiative. We will carry out Belt and Road green economic cooperation, promote the building of green parks and green projects, and jointly promote the greening of cooperation in infrastructure, product trade and other fields. More efforts will be made to expedite the development of green finance, guide bilateral and multilateral development funds to participate in green investment and financing, promote the rapid development of green bond market, establish green financial standards, and provide financial support for the construction of green “Belt and Road”. The coordination between sustainable development goals and planning of countries and regions along

the Belt and Road will be strengthened to promote alignment of ecological and environmental protection policies and regulations. We will make joint efforts to promote the process of sustainable development, and achieve sustainable development goals of the United Nations.

13.3.8 Resolutely Safeguarding National Economic Security

We will safeguard the security of industrial chain and supply chain. With institutional advantages of coordinating all our efforts to complete key national undertakings, we will strengthen the support capabilities of key areas, key technologies and key products. By consolidating China's super-large market scale, complete industrial system, perfect infrastructure and a large number of high-quality scientific research personnel, we will strive to form a significant advantage in the science and technology leading cities that need super-large investment, and greatly enhance the ability to check and balance external constraints.

We will increase efforts to intensify trade remedies. The coordination of trade remedies will be enhanced to strengthen the overall coordination and departmental cooperation in dealing with trade friction, and reduce the negative impact of trade friction on enterprises' participation in international trade. Industry associations will be allowed to play roles of early warning, organization and coordination so as to strengthen industry self-discipline, standardize enterprise behaviors, prevent vicious competition, and create an international and legal business environment.¹² Efforts will be increased to promote the negotiation of WTO anti-dumping and countervailing rules, prevent abuse and misuse of trade remedy measures, eliminate discriminatory rules and practices, safeguard the interests of developing members, small and medium-sized enterprises and the public, and secure the free trade and fair competition environment. We will strengthen international exchanges and cooperation, control trade frictions and safeguard the multilateral trading system.

We will strengthen the protection of overseas investment interests. The monitoring and early warning system of overseas investment risks will be improved. Chinese diplomatic missions, embassies and consulates, economic consular's office, overseas business agencies and overseas branches should strengthen analysis and tracking of the situation in the host country and related countries, give early warning in time, and guide enterprises to evade and prevent possible risks. We will step up efforts in the negotiation of bilateral investment agreements, especially in the protection of interests in investment agreements with developing countries with low market economy, so as to better protect the overseas rights and interests of Chinese enterprises through bilateral institutionalized mechanisms. Efforts will also be increased to improve the overseas investment insurance system. Based on current situation and development trend of China's overseas investment, we should learn from and absorb effective measures and practices of the overseas investment insurance system

¹² *Chinese Government Network* (2014).

implemented by developed capital exporting countries and the international investment insurance system established by the *Convention Establishing the Multilateral Investment Guarantee Agency*, and establish our own overseas investment insurance legal system.¹³

The coverage of investment insurance will be enlarged to further improve the service for overseas investment of private small and medium-sized enterprises. To improve emergency response capability, we will establish a crisis management mechanism, and change previous mode of expanding and maintaining sudden interests. We will make reasonable efforts to formulate the expansion mechanism of overseas interests, plan the format and domain of China's overseas interests distribution, and work out medium and long-term development plans, so as to better meet the overall requirements of China's political and economic development.

Efforts will be increased to strengthen domestic financial security. We will construct a perfect financial risk early warning system. We will monitor the financial operation pressure in real time, and strengthen the construction of financial risk monitoring, assessment, early warning and disposal system. The coordination framework of financial supervision will be improved. By perfecting the financial supervision structure of the Financial Stability and Development Commission, the People's Bank of China, China Banking and Insurance Regulatory Commission and China Securities Regulatory Commission, we will rationalize the functions and division of labor of financial supervision, strengthen the overall coordination of financial supervision, further clarify the supervision responsibilities of various regulatory agencies, and prevent regulatory arbitrage.¹⁴ We will build a sound macro-prudential policy framework, strengthen coordination with other policies such as monetary policy, fiscal and taxation policy, and prevent systemic financial risks. More efforts will be increased to improve the deposit insurance system and the financial risk disposal mechanism. The market clearing conditions of financial institutions will be perfected to allow financial institutions with controllable risks but poor management to go bankrupt, ease the market clearing conditions of financial institutions, and improve the disposal methods of creditor's rights and debts.

13.3.9 Taking Active Part in the Reform of Global Governance System

China will firmly safeguard the authority and status of the international system with the United Nations at its core. China will safeguard the authority and effectiveness of WTO rules, consolidate an open, inclusive, transparent, non-discriminatory and rule-based multilateral trading system, and oppose any form of trade protectionism.¹⁵ We will strive to maintain the position of the WTO in the global trading system,

¹³ Liu (2017).

¹⁴ Dong et al. (2019).

¹⁵ Liu (2020).

support necessary reform of the WTO, solve key and urgent problems that endanger the survival of the WTO, enhance the relevance of the WTO in global economic governance, improve the operational efficiency of the WTO and consolidate the inclusiveness of the multilateral trading system.

We aim to promote the development of the global governance system in a more just and rational direction. China will actively participate in the work of the United Nations in various fields such as refugees, health care and networks. Our efforts will aim to promote developing countries to participate in global governance more equally, deepen the reform of governance institutions of international economic institutions such as the International Monetary Fund and the World Bank, and enhance the voting rights and voice of emerging and developing countries to better reflect the changes in the global economic structure. Active efforts will be made to facilitate the establishment of international organizations and cooperation mechanisms with developing countries, make up for the shortcomings of southern regions in the global governance system, and continuously improve China's ability to shape and lead global governance.

We will continue to support G20, Shanghai Cooperation Organization, BRICS and other mechanisms to play a greater role. It is believed that G20 will continue to serve as the main platform for international economic cooperation. China will support G20 to promote the construction of an open world economy, and promote dialogue and cooperation in macroeconomic policy coordination, structural reform, trade liberalization, international financial architecture and sustainable development under the framework of the G20 platform. The G20 mechanism will help promote policy coordination between big countries, especially between China and the United States. We will secure greater roles of the Shanghai Cooperation Organization, BRICS and other mechanisms in regional and global governance, and create more opportunities for emerging market countries and developing countries to participate in global governance.

Following the principles of dialogue and consultation, co-building and sharing, win-win cooperation, exchanges and mutual learning, and green and low carbon, China will be committed to establishing a sound, effective, open, rule-based and development-friendly multilateral international economic order, and promote the building of a community with shared future for mankind.

13.3.10 Undertaking International Responsibilities and Obligations More Effectively

China will further play its constructive role as a responsible major country, actively assume international responsibilities based on its own strength in building a community with shared future for mankind, and provide more international public goods.

We will increase efforts in providing assistance for developing countries, especially for the least developed countries, support and help recipient countries to reduce poverty and improve people's living standards, and work with recipient countries to formulate development strategy and mid-to-long-term economic cooperation plans, so as to seek common development with recipient countries. China will also increase investment in South-South cooperation, provide support and help for developing countries to implement the 2030 Agenda for Sustainable Development and promote common development.

We will continue to support and actively participate in UN peacekeeping operations, and always be a builder of world peace and a steadfast force for safeguarding world peace. We will actively promote the reform of UN peacekeeping operations and continuously improve the efficiency and effectiveness of UN peacekeeping. Our efforts will be continued to increase investment in building UN peacekeeping capacity, and provide more technical and human support to the UN.

We will continue to provide more humanitarian assistance. The scale and response speed of humanitarian assistance will be furthered to continuously improve the aid effectiveness. We will strengthen international cooperation in the humanitarian field, increase capacity building for relevant countries, and provide more assistance and investment in infrastructure, agriculture, health care, education and other fields to help relevant countries create jobs and improve people's living standards. We will help relevant countries improve their capability of disaster relief and prevention, and jointly cope with the impact of disasters. In alignment with international advanced standards, we will promote the internationalization, legalization and systematization of humanitarian assistance in China.

We will make constant efforts to effectively control greenhouse gas emissions and actively respond to climate change. We will continue to actively fulfill our responsibilities under the *Paris Agreement* and strictly implement the indicators promised in "China's national independent contribution scheme". We will continue to strengthen South-South cooperation and enhance the capacity building level of developing countries to cope with climate change.

We will maintain global network security. We will establish a multilateral, democratic and transparent Internet governance system through effective international cooperation. We will actively participate in multilateral network dialogue and cooperation, and help developing countries bridge the "digital divide" and jointly crack down on cybercrime.

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