

# High-standard opening up buttresses Chinese economy

## EDITOR'S NOTE

The Chinese economy remains a major engine of global economic development. The first article focuses on China's high-standard opening up, highlighting potential global opportunities it presents, while the second article emphasizes the long-term role of manufacturing's stable contribution to the country's GDP.

By JIANG XIAOJUAN

Over the past 40 years, opening up has become one of the two wheels driving the Chinese miracle, effectively contributing to China's success in completing the building of a moderately prosperous society in all respects as scheduled. At present, China has embarked on a new journey of building a modern socialist country in all respects, promoting economic recovery and integrated development in both quality and quantity in the medium to long term. It is urgent to inject fresh impetus into development through high-standard opening up, thereby supporting the long-term development of the Chinese economy, and ensuring the smooth realization of the modernization goal.

Firstly, high-quality development requires the international economic flow to provide more resources and markets, bringing new momentum to economic growth.

China's economic development has underscored the continued importance of "two resources and two markets" for future development. On one



China (Beijing) Pilot Free Trade Zone Photo: Zhao Yuan/CSST

hand, strategic deployments such as optimizing the domestic industrial structure, developing alternative resources and energy, promoting circular and green economies, and enhancing domestic supply capacity must be pursued. On the other hand, efforts to secure necessary energy resources from overseas should be continued. Diversifying the energy resource supply will create more favourable conditions for the development of domestic industries.

The international market is equally important for domestic industries undergoing transformation and upgrading. Venturing into new tracks means opening up new markets. Relying solely on the domestic market with limited capacity cannot fully unleash the growth potential brought about by investment. The development of technical products often requires huge investment, and the larger the industrialization scale of research and development results, the more benefits they bring. It is necessary to expand our international market share as much as possible,

synergistically leveraging the "two markets" to make more significant contributions to economic growth.

Secondly, high-quality development requires participation in a high-level global division of labor system to provide new momentum for industrial upgrading.

The improvement of China's economic strength and industrial status will inevitably lead to adjustments and changes in its position within the global industrial division of labor system. With the continuous improvement of industrial technology and competitiveness, China's participation in the global industrial division of labor will inevitably shift from the low-to-mid end of the vertical division of labor model to the mid-to-high end of the horizontal division of labor. First, over the past decade or so, among China's three types of export commodities (capital, consumer, and intermediate goods), intermediate goods have grown the fastest. The increase in the proportion of intermediate goods in exports is a typical manifestation of a country's deepening participation in

the industrial division of labor. Second, there has been a significant surge in horizontal trade between China and its major trading partners. The proportion of industries dominated by the horizontal division of labor has increased from around 15% in the early 21st century to around 45% in 2021, indicating that China's manufacturing industry is transitioning from the vertical division of labor model to the horizontal division of labor model. This achievement is a direct result of industrial transformation and upgrading, and is poised to enhance China's manufacturing capabilities.

Thirdly, high-quality development requires high-level international sci-tech cooperation to provide new momentum for technological self-reliance and strength. For many years, China has enhanced domestic industrial technology levels through the introduction of advanced foreign technologies, thereby enabling these industries to engage in the research and development of new products and technologies at a higher technological level. Currently, China's industrial technology has reached a stage where a multitude of technologies coexist, with both relatively advanced and advanced technologies continuously expanding.

Currently, international sci-tech cooperation in China has shifted from a unidirectional introduction to a bidirectional flow of both introduction and exportation. Since 2014, China's technology exports have grown strongly, with a stable imports growth rate. The gap between technology imports and exports has significantly narrowed, as

has the technology trade deficit. China's outward-oriented international technical cooperation will continue to increase in the future.

Of course, independent innovation in key areas is also crucial. In the future, China will focus on tackling key core technology areas that are under constraints to ensure smooth and stable domestic circulation in extreme situations.

Fourthly, high-quality development requires benchmarking against high-standard economic and trade agreements to provide new impetus for deepening domestic reforms.

Currently, China has applied or is applying to join multiple high-standard trading systems. Actively adhering to high-standard international economic and trade rules can help promote the building of domestic market systems towards a higher level and more in line with prevailing international rules, and create a market-oriented, law-based, and international open business environment.

Promoting high-quality development through high-standard opening up is significant and challenging. Opening up will bring many new development opportunities to China and other countries globally, and the reasons and forces for promoting opening up are equally strong and widespread. Those who break through obstacles and actively strive for progress will benefit from it.

Jiang Xiaojuan is a professor at the University of the Chinese Academy of Social Sciences and president of the China Society of Industrial Economics.

## Manufacturing's stable share of GDP facilitates Chinese economy

By ZHU MIN  
and ZHENG CHONGYANG

The manufacturing industry has an extensive chain, wide coverage, and far-reaching impact, and is inextricably related to a country's long-term innovation capabilities and international competitiveness. Maintaining the basic stability of the share of manufacturing (added value) in the GDP is undoubtedly of great strategic significance for China's building of a new development pattern, its achievement of high-quality development, and to sustain its long-term economic stability.

### Theoretical viability

A large number of studies have demonstrated that the proportion of the manufacturing industry is mainly influenced by four key factors: service-oriented consumption structure, faster price increases in the service industry, outsourcing of manufacturing services, and net trade exports. From extant theories and research, the right half of the manufacturing value-added inverted U-shaped curve is often regarded as a universal and objective law of socioeconomic development.

However, after a large number of country samples are fitted with homo-

geneity and consistency, the heterogeneity observed in smaller samples is smoothed out. These consistent clues and variables are also inversely aligned with the various economic manifestations in the larger sample. This indicates that the long-term downward trend of the proportion of manufacturing industry is not fully applicable to all samples and processes, leaving room for maintaining a stable manufacturing proportion in economies entering the high-income stage.

The excessive deindustrialization of Western economies and the premature deindustrialization of latecomer countries have resulted in many issues and consequences. This has resulted in widespread reflection from all sectors of society and has introduced a series of policy measures aimed at stabilizing the proportion of the manufacturing industry.

Certain economies mainly focus on three major factors: net exports, technological innovation, and industrial upgrading, and expanding investment serves as the material foundation for the above mentioned factors. They conduct thorough public policy formulation, optimization, implementation, and evaluation, thus forming a systematic, coordinated, and integrated policy system,

effectively correcting market failures caused by technology spillovers, and successfully avoiding excessive and premature de-industrialization.

### Domestic substitution & innovation

Drawing on international experience and taking into account China's actual situation, maintaining a stable proportion of the manufacturing industry in China undoubtedly requires slowing down the overall price rise led by the service industry, while boosting manufacturing investment, expanding manufacturing exports, and accelerating the optimization and upgrading of industrial structure.

Firstly, a domestic substitution strategy for the large domestic market should be implemented to transform more trade surplus into added value for domestic manufacturing and to accelerate the upgrading of the manufacturing industry's internal structure.

Secondly, it is crucial to seize the opportunities presented by the new wave of technological revolution and industrial transformation. As domestic service demand continues to grow, we must capitalize on cutting-edge technology breakthroughs and the emergence of new business forms. By transforming these advancements into innovation premiums for domestic manufactur-

ing, we can further enhance the quality and efficiency of the manufacturing industry. Additionally, it is necessary to deepen the supply-side structural reform of the service industry to prevent the overall price level of the service industry from rising faster than that of the manufacturing industry.

At present, the digital economy is progressing along the data chain, with paths such as the industrial internet, smart transportation, smart healthcare, digital education, and financial technology leading the way. By embracing these new forms, the quality and efficiency in both the manufacturing and service industries could be improved. This will provide opportunities for the manufacturing industry to innovate at a premium and slowing down the rapid rise in service prices.

### New macroeconomic governance system

Maintaining a basically stable proportion of the manufacturing industry will always be a key aspect of China's modernization process in the coming decade or so. This is closely tied to innovation-driven development, pathways for achieving common prosperity, and the material foundation for the transformation to a green and low-carbon economy. This is of cross-cycle,

overarching significance.

Therefore, China needs to explore a new macroeconomic governance system centered on stabilizing the proportion of the manufacturing industry. In terms of institutional arrangements, relevant legislative work should be carried out to build a strong legal guarantee for this long-term goal. As for organizational structure, dedicated institutions or departments should be established to coordinate strategic research, policy formulation, target evaluation, and process supervision related to the stability of the manufacturing industry. As for specific policies, it is suggested that a policy toolbox should be created around industrial development, technological innovation, and expansion of net exports and investment, so that relevant measures can dynamically converge on a balanced path that ensures the basic stability of the manufacturing industry's proportion, and the resonance of an efficient market and an effective government.

Zhu Min (professor) is vice chairman of the China Center for International Economic Exchanges and Zheng Chongyang is an assistant research fellow at the China Center for International Economic Exchanges.