

# On the theoretical source of the reform of socialist open economy with Chinese characteristics

Socialist market economy

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## Abstract

**Purpose** – Some economic theories have influenced the reform of the socialist open economy with Chinese characteristics. As a new practice of socialism, an open economy is not only driven by China's productivity level and people's living standards but also regulated by the law of commodity production and value.

**Design/methodology/approach** – It was popular to participate in economic globalization for most countries in the second half of the 20th century, but not all of them could benefit from it.

**Findings** – The key to the success of the open-economy reform with Chinese characteristics lies in learning from and innovating the comparative advantage theory, thus forming an organic whole of the open economy, including the core of correctly handling the relationship between the government and the market, the method of gradual reform, the breakthrough point of transforming the mode of economic development, and serving people all the time.

**Originality/value** – Achieving internal and external coordination through the combination of opening-up and independence is a critical principle of China's economic opening-up, which not only effectively safeguards national interests but also actively promotes the construction of a new global order.

**Keywords** Socialist market economy with Chinese characteristics, Open economy, World system, The law of value, Comparative advantage

**Paper type** Research paper

General Secretary Xi (2018) said in his keynote speech at the first China International Import Expo opening ceremony, "I have made it clear once and again that China's door will never be closed. It will only open still wider." The speech echoes the report to the 19th National Congress of the Communist Party of China (CPC) on promoting the formation of a new pattern of comprehensive opening and provides a fundamental guideline for China to open up the economy further. At the 19th group study session of the Political Bureau of the 18th Central Committee in 2014, Xi (2017a, p. 291) pointed out, "Reform and opening up is the driving force of China's economic and social development. China has been opening itself ever wider and raising the level

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of openness to the outside world. Making opening-up a catalyst for reform and development is an important means for China to score new achievements continuously." It has been more than 40 years since China implemented reform and opening-up, a milestone for China's and the world's development. Looking back at history at the point when a moderately prosperous society is going to be built on all fronts, it is found that "Since the 18th CPC National Congress, we have taken advantage of the situation to accelerate the building of a new system of an open economy, and a higher level of openness is taking shape (Xi, 2017a, p. 291)." China's open-economy reform has drawn on the general experience in the development of other countries in the world but in the meantime has its unique Chinese characteristics. China has seized historical opportunities and effectively resisted various adverse shocks in the process of opening up, creating a miracle in the history of human society. The reasons why China's open-economy reform has made significant achievements are many, but fundamentally, it is because China fully understands and applies the laws of an open economy. This is reflected in four primary theories: the theory of the law of value, the theory of comparative advantage, the theory of the world system and the theory of internal and external coordination, which constitute the realistic conditions, innovative references, external environment and strategic adjustments for the reform of China's open economy, respectively.

### **1. The theory of the law of value: the realistic conditions for the open-economy reform**

What are the realistic conditions for China's open-economy reform? In this regard, a basic consensus has been formally formed after a long period of exploration and debate, that is, to recognize and respect the role of the law of value. In other words, the relationship between the government and the market should be handled appropriately, which is the relationship between the "visible hand" and the "invisible hand." At the 15th group study session of the Political Bureau of the 18th Central Committee in 2014, General Secretary Xi (2017b, pp. 58–59) stressed, "On the issue of the role of the market and the government, we should resort to dialectics and the two-point theory. Both the 'invisible hand' and the 'visible hand' should be used properly, and efforts should be made to form a pattern in which the role of the market and the role of the government are organically unified, complementary, coordinated and mutually reinforcing, so as to promote sustainable and healthy economic and social development." and "The core issue remains the handling of the relationship between the government and the market." It is well-known that commodity production and the law of value are the basic features of a market economy, essentially embodying the specific activity and mechanisms of the role of the market in allocating resources. From this perspective, China's reform and opening-up have allowed the existence of commodity production, which is at the heart of changing the old economy and reforming dated misconceptions. As the benefits increase, Chinese people have continued to follow and actively apply the law of value.

In the past, China was under planned economy for a long time, while at the same time, it retained commodity production to some extent and attached importance to the law of value. Firstly, on the issue of commodity production. The planned economy was dominant from 1956 to 1978, but by no means did it completely negate commodity production and exchange. As Mao Zedong (1999, p. 170) pointed out, "We can have a state-run economy and a private one. We can eliminate and engage in capitalism." and "It takes quite a long time to fix interest. To nationalize in a rush is not conducive to production. The public-private partnership has superiority and is better than no partnership because the workers' motivation has increased, and the attitude of the capitalists has changed." *The Resolution on Certain Questions of People's Commune* adopted at the sixth plenary session of the 8th Central Committee in 1945 indicated the need to continue to develop commodity production, and in the same year, *the Decision of the CPC Central Committee and the State Council on Improving the Rural Financial and Trade Management System in*

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*Response to the Situation of Communalization of the People* by the [Central Committee of the Communist Party of China and the State Council \(1958\)](#) pointed out, “After the communalization of the people in the countryside, although some of the products are distributed directly within the commune, commodity production and exchange, as a whole, are not shrinking but expanding; although the regulation of production relies mainly on political command and is guided by planning, and the role of the law of value has been further restricted, the roles of commodity, value, price, money and credit will not lose effectiveness in the short term but will continue to play an active role. The people’s communes must greatly develop, on the one hand, subsistence production and, on the other, commodity production suited to the needs of society.” These materials fully prove that the existence of commodity production is necessary during the transitional period and that not only can it not be immediately eliminated but it must also continue to develop. This is in line with the basic theory of the classic Marxist writers. When Engels, in his *Principles of Communism*, answered the question of whether private ownership can be abolished at once, he said, “The proletarian revolution will be able to abolish private property only when the means of production are available in sufficient quantity ([Engels, 2009, p. 685](#))”; *The German Ideology* clearly states that “only with big industry does the abolition of private property become possible ([Engels and Marx, 2009, p. 556](#)).” Secondly, on the issue of the law of value. Before the reform and opening-up, the CPC did not wholly reject the law of value but found ways to use it actively. [The Central Committee of the Communist Party of China \(1962\)](#) demanded that commercial work “should, under the guidance of state planning and following the principle of equivalent exchange, make correct use of the law of value, promote the development of agricultural and industrial production through appropriate forms of purchase and sale, and hereby gradually ensure the supply of consumer goods for urban and rural residents, etc.” in *Decision of the Central Committee of the Communist Party of China on the Issue of Commercial Work*. At the same time, the academic community also actively researched the law of value. For example, [Wang \(2007\)](#) argued, “China’s socialist national economy is a whole, and in terms of all social products in China, the size of their socially necessary labor, their costs, and the ratio of their mutual exchange and distribution have to be determined through value, money, and price. The law of value must play its role.” Therefore, the employment of the law of value fundamentally serves the requirement of improving social productivity.

China continues to deepen its understanding of the role of commodity production and the law of value in socialist economic construction. It can be said that the history of reform and opening-up is the history of exploring the combination of socialism and market economy, which can be divided into three stages: (1) 1978–1992. Firstly, the erroneous concept of the complete dichotomy between planning and market economy was abandoned, and the first adjustment of the new model of “planned economy as the mainstay and market economy as the supplement” was carried out. Then it was stressed that “the socialist economy is a planned commodity economy based on public ownership,” which redefined the basic connotation of the socialist economy. Finally, it was proposed that “the socialist market economy system we want to establish is to enable the market to play a fundamental role in the allocation of resources under the macro-control of the socialist state so that economic activities follow the requirements of the law of value and adapt to changes in supply and demand.” ([The Writing Group of the Report, Communiqué, Resolution and Decision of the Party Congress and the Central Plenary Sessions since the Third Plenary Session of the Eleventh Central Committee, 2015](#)) (2) 1993–2012. After the establishment of the socialist market economy, the Party made a number of attempts and reforms at the institutional level, including “making full use of the basic role of the market in allocating resources and structural adjustment” and “giving greater play to the basic role of the market in allocating resources.” (3) 2013 to present. The third plenary session of the 18th CPC central committee made plans to comprehensively deepen the reform of the economy and pointed out that “the market plays a decisive role in the allocation of resources and helps the government better fulfill its role.”

The essence of China's reform and opening-up is about how to promote economic development through carrying out commodity production and applying the law of value. It is mainly displayed in the change of attitude toward the nonpublic economy. In the Party's essential meetings and literature, nonpublic economic policies have been gradually adjusted, which is a further development of commodity production and the law of value under the socialist system. According to the theories of classic Marxist writers, the law of commodity production and value under capitalist relations of production serves to allow capital to pursue profit, and at the advanced stage of the socialization of mass production, transitional socialist economic organizations will appear, such as agricultural cooperatives, the joint-stock system in industrial enterprises, etc.; under the socialist system, the law of commodity production and value does not allow capital to pursue profit blindly and is subject to supervision and leadership, as well as the development needs of the people in the general picture. Therefore, the nonpublic economy helps to promote the productivity of a socialist society. To sum up, the theory of regulation of the law of commodity production and value is the basic theoretical support for China's opening up to the outside world, and it establishes the internal conditions for building an open economy in China.

## **2. The theory of comparative advantage: innovative lessons of leapfrog development in lagging countries**

At the Central Economic Work Conference in 2013, General Secretary Xi emphasized, "To do a good job in economy and diplomacy, we should give full play to our comparative advantages and be adept at building on strengths and addressing weaknesses in international competition (2017c, p. 288)." His words provide essential guidance for understanding the path of building an open economy in China as a backward country. In the conditions of commodity production, the open economy is manifested as an expansion of the market, which is bounded by the quantity of commodities and profoundly reflects the enhancement of the quality and variety of commodities, which, ultimately, are related to the division of labor. The development of the history of economic thought confirms the logical relationship between the division of labor and economic openness, but there is still a bridge between the two. The established research results of the literature include the theory of absolute advantage, the theory of comparative advantage, the theory of factor endowment, the theory of intra-industry trade and the theory of national competitive advantage. The influence of these theories is far-reaching, but on the whole, the international trade theories since the 20th century are the extension of the theory of comparative advantage. In *The Wealth of Nations*, Adam Smith discussed in detail the basic connotations of the division of labor and its impact on social and economic development and constructed the theory of absolute advantage accordingly. David Ricardo, also based on the theory of the division of labor, rewrote Adam Smith's principle of international exchange from the incomplete labor theory of value to form the theory of comparative advantage. Marx has not completed the theory of the openness of national economies but made many fragmentary comments. For instance, he suggested in *The Poverty of Philosophy* that "Thanks to the application of machinery and of steam, the division of labor was about to assume such dimensions that large-scale industry, detached from the national soil, depends entirely on the world market, on international exchange, on an international division of labor (Marx, 2009, p. 627)." It is obvious that Marx also explored national economic openness from the perspective of the division of labor, but unlike classical economists, Marx studied the division of labor from multiple dimensions such as enterprise, industry, society, nation and the international community, and categorized the basic causes of the open economy into two levels of generality and specificity, which has important value for China's economic practice. In fact, China's reform and opening-up have drawn on the theory of comparative advantage and made innovations based on it.

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Firstly, the role of the division of labor in the early economic achievements of the open economy. Looking at the social and economic situation in China from the founding of the People's Republic to the eve of reform and opening-up, under the leadership of the CPC and in accordance with the Marxist political economy theory of balanced production of the two major sectors, China has established an independent and relatively complete industrial system and national economy, which was accomplished based on a poor and backward postwar economy and under the highly planned directives of the central government. It profoundly reflects the element of division of labor in the economy. The division of labor is a dynamic process that depends on the existing accumulated productive forces and is also subject to the reaction of the superstructure. The aforementioned has pointed out the influence of production technology on the division of labor. In fact, there is an inseparable relationship between the division of labor and the scope of the market. Top-level designs, such as the prioritized development of the heavy industry and the regional third front movement, have consciously or unconsciously implied the objective situation of expanding the market. Therefore, it is in this sense that balanced development cannot take place without a rational division of labor.

Secondly, the rational influence of the theory of comparative advantage on China's open economy from a single factor. China's open economy generally can be divided into four stages: The first stage is "exchanging market for technology." As Deng Xiaoping clearly pointed out in 1983, "China is a big market, and many countries want to cooperate and trade with us. We must make good use of it. This is a strategic issue (Deng, 1993, p. 32)." It is clear here that market advantage is the key to China's self-confidence in opening up, and it is on this basis that "exchanging market for technology" became a prevalent foreign policy in the 1980s, which overturned the strategic thinking of the past era of a planned economy. Before opening up, China's foreign economic policy was basically to "promote import through export" and "exchange commodities for technology." For example, in 1975, Comrade Deng (1994a, p. 29) said in a talk at the State Council when discussing *Certain Questions of Accelerating Industrial Development* drafted by the State Development Planning Commission, "To import, we have to export more . . . to increase exports by all means . . . We can also consider signing long-term contracts with foreign countries, introducing their technology and equipment to mine coal and pay off with coal." and "We should strive to export more to get cutting-edge technology and equipment, accelerate the industrial-technological transformation and improve labor productivity." Exchanging the market for technology is the first comparative advantage that China's open economy demonstrates. The second stage is "exchanging costs for technology." For a long time, China's cheap labor force had been an essential reason for multinational companies from all over the world to set up in Mainland China. In addition, China gave generous rewards in terms of taxation and infrastructure. Such a feature of openness can be described as "exchange costs for technology," which has been the dominant comparative advantage for a long time during China's opening-up. The third stage is "exchanging capital for technology." In the process of building and reforming the socialist market economy, some enterprises experienced fierce competition and completed capital accumulation, thus turning their attention to international technology, which was prominently manifested in foreign mergers and acquisitions, etc. In the early days of China's foreign mergers and acquisitions, public capital was the dominant force, while at present, nonpublic and mixed capital is acting as the main force. "Exchanging capital for technology" is a comparative advantage demonstrated during the relatively mature and stable period of China's reform and opening-up. The fourth stage is "exchanging technology for market." In the process of opening up, China has introduced foreign technologies, timely digested them and turned them into its use through learning and innovation. In addition, the country invests a lot of human, material and financial resources in science and technology research and development every year and vigorously implements the innovation-driven development strategy, making China stand at the forefront of technology research and development applications in the world. Xi (2017d) noted in the

report to the 19th National Congress pointed out that “we have seen much accomplished toward making China a country of innovators, with major advances made in science and technology, including the successful launch of Tiangong-2 space lab, the commissioning of the deep-sea manned submersible Jiaolong and of the five-hundred-meter aperture spherical telescope (FAST) Tianyan, the launch of the dark matter probe satellite Wukong and the quantum science satellite Mozi, and the test flight of the airliner C919.” China’s comparative advantage in its economic opening-up has been transformed from passive to active, and it is “exchanging technology for market,” which serves as the comparative advantage of China’s reform and opening-up in the new era.

Lastly, China innovated and developed the theory of comparative advantage according to its national conditions. The success of China’s economic opening to the outside world is not simply due to the single-factor theory of comparative advantage but rather to the systematic exploration and planning of overall factors, such as geography, ecology, population, history and culture. In the same historical period, markets, costs, capital and technology all coexisted. For example, from the early days of economic construction until the end of the 20th century, the northeastern region occupied an important position in China’s open economy, not only because it was the “eldest son of the PRC” and had advanced heavy industrial technology but also because its abundant natural resources fostered huge foreign economic and trade profits in agriculture and forestry. Take another example. Shenzhen, which was built up through the country’s concentration of unified resources, used to be a small fishing village with no comparative advantage. The city owes its honor of being a window to the outside world to Chinese wisdom. Obviously, the theory of comparative advantage cannot explain those factors that have evolved from nothing and are endogenous to the self-evolution of the socialist system. After the world economic crisis in 2008, the external trading environment for China deteriorated seriously. According to the agreement on China’s accession to the World Trade Organization, China should have automatically obtained market economy status (MES) in 2015, but the US, the EU, Japan and other developed western countries refused to recognize it, and right-wing western forces even acted against the mainstream trend of world development. Under such circumstances, China’s external economy maintained a stable and positive trend, and China continued to put forward the values of greater good and shared interests in international economic interactions, which can be fully described as a rewriting and improvement of the theory of comparative advantage.

### **3. The theory of world system: the external environment of open-economy reform**

In discussion with foreign experts in 2014, General Secretary Xi (2017e, p. 289) pointed out, “Any nation or country needs to draw on the fine achievements of foreign nations and countries.” This is fully in line with Marx’s idea in *Capital* (Marx, 2004) that “One nation can and should learn from others.” and is also vital support for the construction of an open economy in China. Theoretically, opening up to the outside world is an objective and unified process of the main body of opening up and the external environment. It would be incomplete without either one of them. When an economy is planning to develop external economic relations and actively learning the experience of other countries, it should take into full consideration the degree of acceptance of its economy by other countries, which involves both the economies of different countries and the existence of complementary economic structures. In reality, the external environment for open development is the main cause of economic friction and disputes between countries, with economic globalization and world economic integration being the two most important aspects.

The economic relations of countries in economic globalization and world economic integration can be divided into passive colonization and active cooperation. Firstly, guided by

the mercantilist creed in the mid-16th century, Spain, Portugal, the Netherlands and Britain started colonial plunder. The global trade map gradually became clear, especially after such major historical events as reaching the eastern countries around the Cape of Good Hope and discovering the New World of North America. After the establishment of bourgeois regimes in the West, trade under cover of warships was ostensibly changed toward economic exchanges, mainly in the form of commodity exchange. However, global economic relations under the capitalist system were equally colonial in nature, especially in the mid-20th century when the world witnessed a wave of nation-states seeking independence from western control. In short, despite international economic exchanges in these 400 years, the essential feature of the global economy was colonialism. Secondly, after World War II, the Bretton Woods system became the dominant global monetary regime, including foreign exchange liberalization, capital liberalization and trade liberalization, facilitating economic globalization and world integration. With the deepening of the third industrial revolution, typified by information technology, global economic interconnection became even more rapid, and the concept of a global village became a consensus. As the vast majority of foreign economic relations during this period were dominated by sovereign states, cooperativeness was the most characteristic feature despite prevalent inequality. For example, Raul Prebisch's "center-periphery theory" (also known as dependency theory) adequately explained the impact of the association of international and local capital, which, while contributing to growth in the short term, disadvantages lagging countries in the long term. Take another example. Emmanuel Wallerstein's "world system theory" looked at long cycles since the 16th century and argued that the nation-state is not the basic unit of social change but that world integration is the only entity that runs through the process. In fact, there is no contradiction between the dependency theory and the world system theory. The latter covers the former in scope and unites the colonial and cooperative types in the theory of world integration.

Since ancient times, China has been actively exploring ways to strengthen global economic ties. It opened up trade between East and West by establishing the land and maritime silk roads, with the two civilizations intertwining and penetrating each other, greatly contributing to global economic integration. In the modern era, China has taken a more active role in global economic affairs and promotes economic globalization and world integration. China not only serves as a permanent member of the United Nations but also as a founding member of the International Monetary Fund and the World Bank. It became a full member of the World Trade Organization in 2001. In the past decade, China has actively changed its role in economic globalization, shifting from passive adaptation to active adaptation, and then to active leadership, providing a positive force in promoting the development of the world economy. For example, China's Belt and Road Initiative is supported by many countries and is becoming a positive force in reshaping the landscape of globalization. The "Asian Infrastructure Investment Bank" has greatly enhanced regional economic infrastructure development and is playing a vital role in economic Organizations such as the Association of Southeast Asian Nations and the Shanghai Cooperation Organization. China implemented a closed-door policy for a period of time, resulting in a serious disconnection from the world in terms of scientific, technological and economic development. In 1978, Comrade Deng Xiaoping stressed the need for an open-door policy and the need to learn from the world's advanced science and technology, and that "If we close our doors and remain stagnant and arrogant, the country can't develop (Deng, 1994b, p. 132)." In retrospect, it is clear that closed doors go against the general trend of world development. Today, economic globalization has long since passed the early rough-and-tumble stage and has taken on increasingly refined characteristics. If China benefited from trade liberalization and the internationalization of production in the early days of reform and opening-up, it is now actively using the globalization of capital and technology to rewrite the order of world integration. It is a trend that is increasingly evident, and the rest of the world is increasingly hungry for Chinese capital and technology.

Marxism holds that human society will eventually move from the history of different nations to the whole world and that economic globalization and world integration are the inevitable results of the development of productive forces and technological progress. However, at present, economic globalization and world integration have encountered some difficulties, especially when the US, the world's largest economy, has begun to turn back after a long period of pursuing the policy of trade liberalization. We believe that relevant economic decisions of the US government are not in line with the mainstream of world history development and will not change the direction of economic globalization and world economic integration. On the one hand, global economic cooperation is increasingly characterized by bilateral, multilateral and regional exchanges on a global scale, which effectively mitigates the negative effects of policy turbulence in one or a few countries; on the other hand, economic cooperation among the vast number of developing countries and emerging markets has been increasing. South–South cooperation, BRICS (Brazil, Russia, India, China, South Africa) cooperation and the Forum on China–Africa Cooperation have achieved great results and have exerted great influence on world economic growth. Therefore, an external sound environment for China's open economy is another fundamental condition for us to continue and further promote a new pattern of comprehensive opening-up.

#### **4. The theory of internal and external coordination: strategic adjustment of the open-economy reform**

In 2015, General Secretary Xi (2017f, p. 298) pointed out, “Under the conditions of deepening economic globalization, we cannot carry out construction behind closed doors, but rather we must keep in mind both domestic and international imperatives and make good use of both the international and domestic markets and the two types of resources.” This is China's specific strategy for building an open economy. The aforementioned shows that the construction and development of China's open economy has a solid theoretical foundation, but sound strategic deployment is needed to turn theory into reality. In the first 15 years of reform and opening-up, China did not have reliable cases to follow on the question of what and how to open up and experienced long discussions within and outside the Party. At the closing meeting of the Central Work Conference in 1978, Deng Xiaoping delivered a speech entitled *Emancipate the Mind, Seek Truth from Facts and Unite as One in Looking to the Future*, in which he clearly proposed, “Pending the introduction of a unified national program of modern management, we can begin with limited spheres, say, a particular region or a given trade, and then spread the methods gradually to others (Deng, 1994c, p. 150).” After more than ten years of experience, Deng Xiaoping said in his Southern Tour speech in 1992, “Don't argue: try bold experiments and blaze new trails,” which provided reassurance for the reorganization of the economy. Since the 18th CPC National Congress, China has made new achievements in opening up its economy, and economic development has entered a new normal: Domestically, China faces a complex situation where it must deal with a slowdown in economic growth, make painful structural adjustments and absorb the effects of previous economic stimulus policies all at once, and the “work on the five priority tasks of cutting overcapacity, reducing excess housing inventory, deleveraging, lowering costs and strengthening areas of weakness” has had a significant impact on the upgrading of industrial structure; internationally, western countries are still struggling in the quagmire of economic crisis and the capitalist-led world trade system is facing multiple contradictions and conflicts. Based on this, the report of the 19th CPC National Congress put forward the practical innovation requirements for developing a pattern of comprehensive opening-up, which are embodied in the following three aspects:

First, focus on the Belt and Road Initiative. At present, the global economy remains in the doldrums, and the structural problems of world economic development are very prominent. There are still many barriers and obstacles to the flow of production factors and commodities between different countries and regions. Trade imbalances are growing globally. There are

many flaws in the trade rules and the concept of the greater good and self-interest under the capitalist system. Mutual trust is insufficient in trade between major economies. Vicious competition and protectionism in the regional economy are on the rise. The fundamental objective of the Belt and Road Initiative is to enhance mutual trust and interconnectivity among economies and to form a community with a shared future for mankind, featuring integrated and coordinated development. By the end of 2017, more than 100 countries and economic organizations had actively responded and joined the BRI, and the economic results were remarkable, fully demonstrating the importance of Chinese wisdom and Chinese solutions in promoting economic globalization. Data from the Ministry of Commerce showed that in the first 11 months of 2017, China's trade volume with countries along the Belt and Road reached US\$983 billion, and Chinese enterprises signed 6,201 new contracts for foreign contracting projects in 61 countries along Road, with a new contract value of US\$113.52 billion, accounting for 54.1% of China's new contract value for foreign contracting projects in the same period, up by 13.1% year on year. The turnover reached US\$65.39 billion, accounting for 48.7% of the total amount in the same period, up by 6.1% year on year. Undoubtedly, the Belt and Road Initiative is in line with the trend of the times and is recognized by the world, as evidenced by the successful convening of the Belt and Road Forum for International Cooperation in 2017.

Second, accelerate fostering new advantages. In today's fast-changing world of science and technology, the new technological revolution has not only increased the added value of a country's products and services but has also greatly changed the organization and form of global trade, with innovation increasingly becoming the dominant factor in a country's foreign economic activities. After four decades of development, China's traditional competitive advantages in the economy have gradually disappeared, and attempts to rely on the market and costs to gain benefits from the opening-up do not work obviously; therefore, the fostering of new advantages must be accelerated: First, to increase investment in scientific research, occupy the technological highland, take advantage of the Internet and the opportunity of the fourth industrial revolution and continuously build third-party platforms. The focus should be shifted from product trade to trade in both products and services, especially in enhancing online and offline integration through information technology, strongly supporting various professional e-commerce platforms and online trade platforms, recreating the international trade industrial chains and organizational forms and promoting cross-border e-commerce as a new growth point for foreign trade (Jin *et al.*, 2015). Second, integrate scattered advantages to turn the old into the new, upgrade the existing foundation, inject the vitality of artificial intelligence, change traditional concepts of foreign trade and enhance the interactive effect of "bay-harbor-port-zone," thus linking assembly, bonding, transit, finance, service and sales, etc., enhancing trade efficiency and promoting the formation of important integrated trade demonstration zones. Third, further implement structural reforms on the supply side to improve the supply capacity of China's foreign economy and trade, effectively dissolving existing production capacity and promoting the transformation of investment and financing supply. In particular, Chinese wisdom and solutions have positively impacted the world economic landscape in recent years. "China is nurturing its ability to participate in formulating international rules and has begun to launch new initiatives, issues, and actions in the international economic arena. This marks the beginning of China's cultivation of its capacity to produce and provide global public goods (Pei, 2016)."

Third, "move toward opening-up that coordinates the coastal and inland areas and connects the eastern and western regions." After 40 years of development, the opening-up areas and capacities of the eastern coastal regions have been greatly enhanced. Some basic industries are no longer suitable for local development, but these industries still have outstanding economic benefits and social values for China's less developed regions. Therefore, how to optimize the industrial layout to the greatest extent becomes a difficult issue. The report to the 19th CPC National Congress pointed out the need to form an open pattern that "coordinates the coastal and inland areas and connects the eastern and western regions," which is a major strategic

adjustment of China's open economy in the new era. To achieve this goal, efforts should be made in the following three aspects: First, deepen the reform of the system and break down regional barriers. Due to historical and other factors, there are still some unreasonable administrative interventions in different provinces, cities and localities in China, interrupting the smooth flow of products, services and production factors. There are many hidden obstacles as the market plays a decisive role in the allocation of resources. Similarities and duplication of construction planning and vicious competition among regional industries are serious. It is necessary to further deepen the reform of the system and do a good job in transferring and undertaking industries according to local conditions. Second, strengthen policy guidance and make a centralized and unified layout. The industrial layout should respect the general laws of the market economy and, at the same time, give full play to the role of the government in scientific and integrated planning, doing a good job in the centralized and unified layout of the industry nationwide. *The 12th Five-Year Plan for the Large-scale Development of the Western Region* and *The Plan on the Rise of Central China (2016 to 2025)*, which have been issued in recent years, are beneficial to the economic development of the central and western regions. The opening effect of the central and western regions has been significantly enhanced by the Changzhutan National Independent Innovation Demonstration Zone, the Chengdu-Chongqing Economic Circle, and the Kashgar Comprehensive Free Trade Zone. Third, carry out multilevel and multidisciplinary cooperation based on the construction of the Belt and Road Initiative. The construction of the Belt and Road Initiative connects China's eastern coastal regions with the less developed regions in the central and western regions of China and is a typical demonstration of coordinating the coastal and inland areas and connecting the eastern and western regions, providing significant opportunities for economic cooperation between the central and western regions and relevant countries and cities along the route.

### 5. Further thoughts on building an open economy

China's open-economy construction is a magnificent exploration of the world's economic history. It has achieved leapfrog development when there is no case to learn from and no experience to draw upon. The open economy has been a world-renowned success, contributing Chinese wisdom to global economic development. From the basic experience of China's opening up over the past 40 years, the core is the appropriate handling of the relationship between the government and the market; the method is gradual reform; the breakthrough point is the transformation of the model of economic development; the ultimate goal is to achieve people-centered development. In the new era, there remain many questions that deserve further consideration on how to steadily promote the formation of a comprehensive open pattern and how to turn China's experience into a blueprint that other countries can draw on for their development. For example, how does China's open economy reflect the Four Cardinal Principles? How are independence, self-reliance, equality and mutual benefit implemented? In addition, China's construction of a comprehensive open pattern faces many significant global challenges, including the contradictions between the existing world system and building a community of a shared future for mankind when leading global economic development; escalating geopolitical conflicts; frequent external risks; the balance issue between international aid projects and economic projects, and the fact that the refusal of the US and the EU to recognize China's MES has triggered trade wars. All these issues need to be further studied.

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