



# China's Opening-up in the New Normal

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## **Main contents**

- **China' new position in the world economy**
- **Rationale for further opening strategy**
- **Goals and priorities**

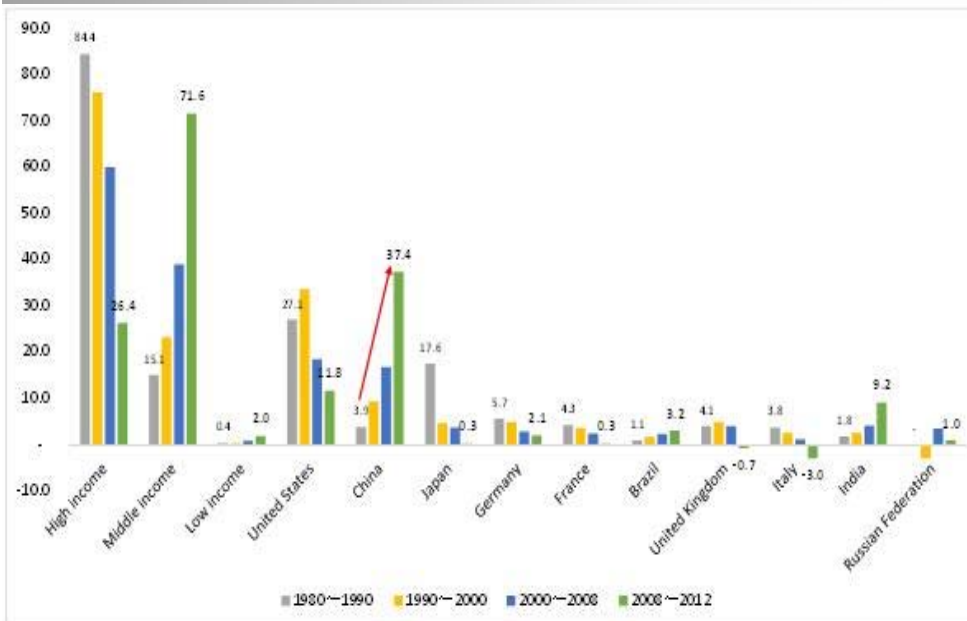
## **I. China in the world economy**

- **IMF research in 2014 arouse debate:**
  - **whether China becomes the No.1 in the world economy?**
- **China entering the new normal : its implications to the world?**
- **China's initiative of AIIB attracts global support: a challenge?**

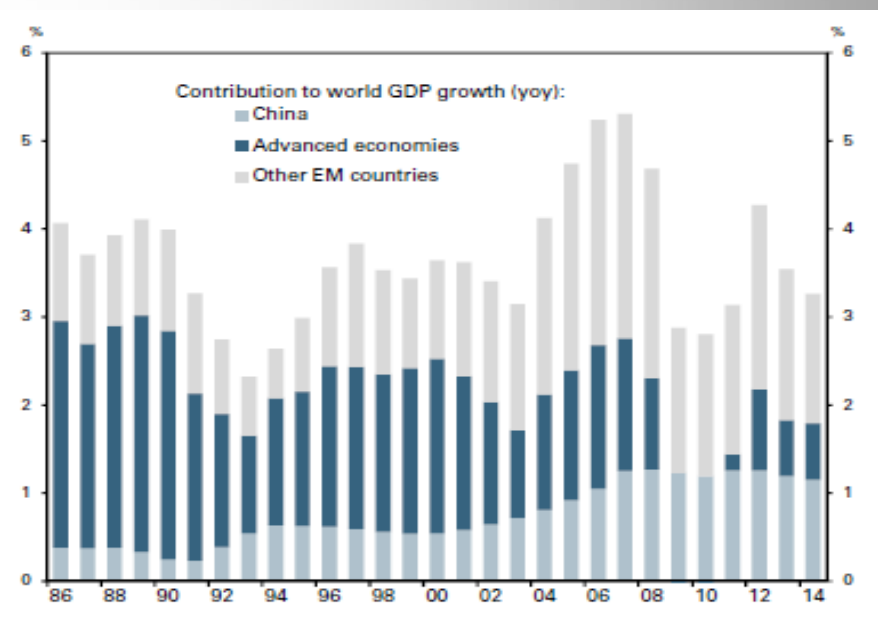
- **China is an emerging economic power**

- GDP contribution: important growth engine for the world
- Overseas investment: third in the world (\$2.85 bn in 2003 → over \$100 bn in 2014)

Figure: Contribution ratio of major economies to world economic growth



Source: report by a DRC research group

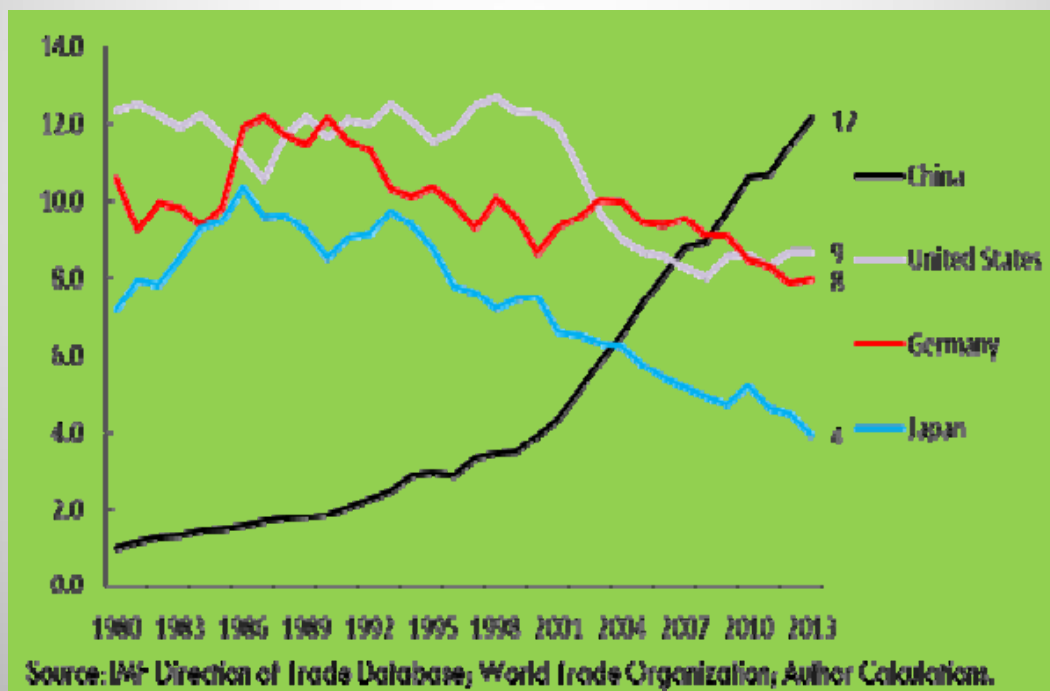


Source: IMF, Goldman Sachs Global Investment Research.

## ➤ Export:

- biggest exporter since 2009, and its market share increased to 12.2% in 2014, close to the peak of German , Japan & the US in 1980-1990s.

### Proportion of major ec.' export in the world



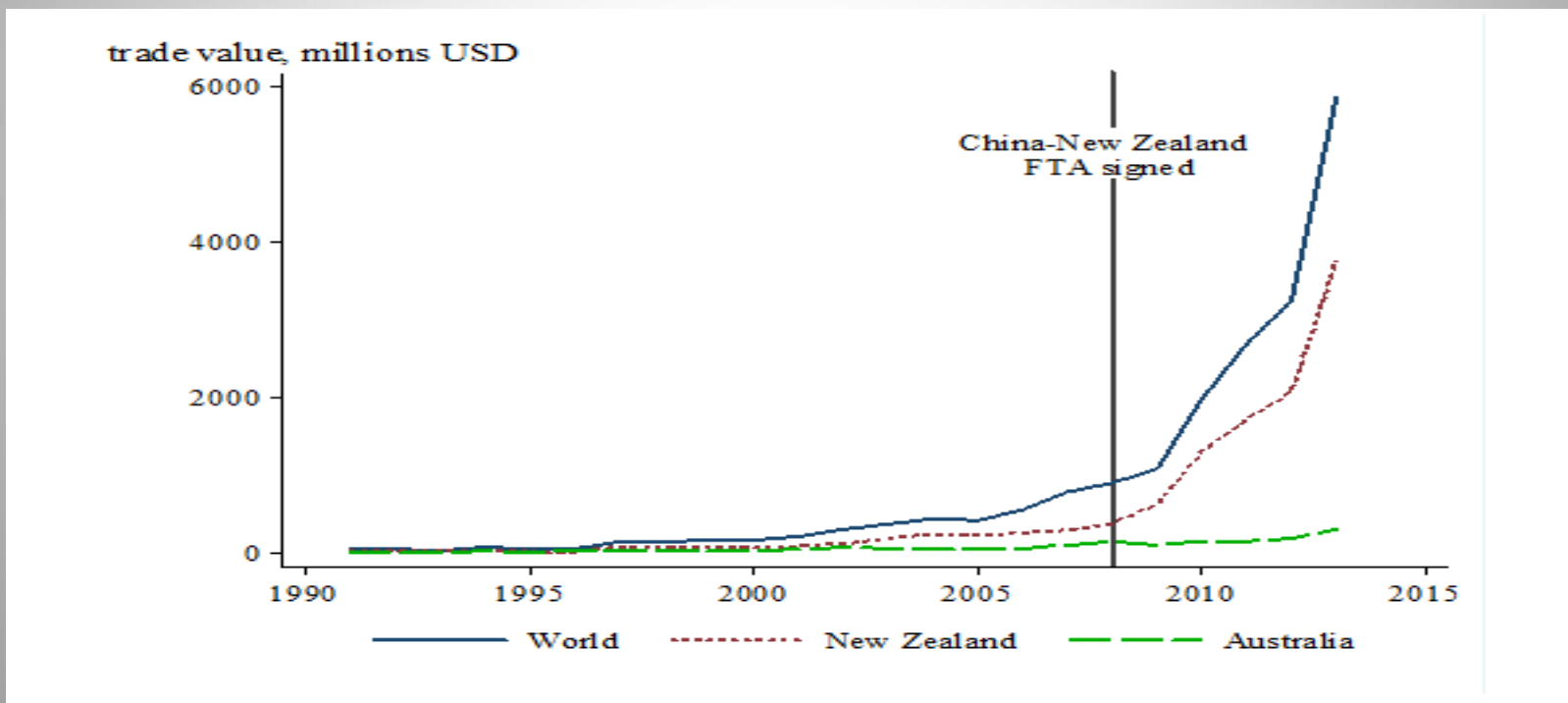
## ➤ Import:

### - Market: potential to big in reality

slow down but remarkable, over \$ 1000 bn. in the next five years

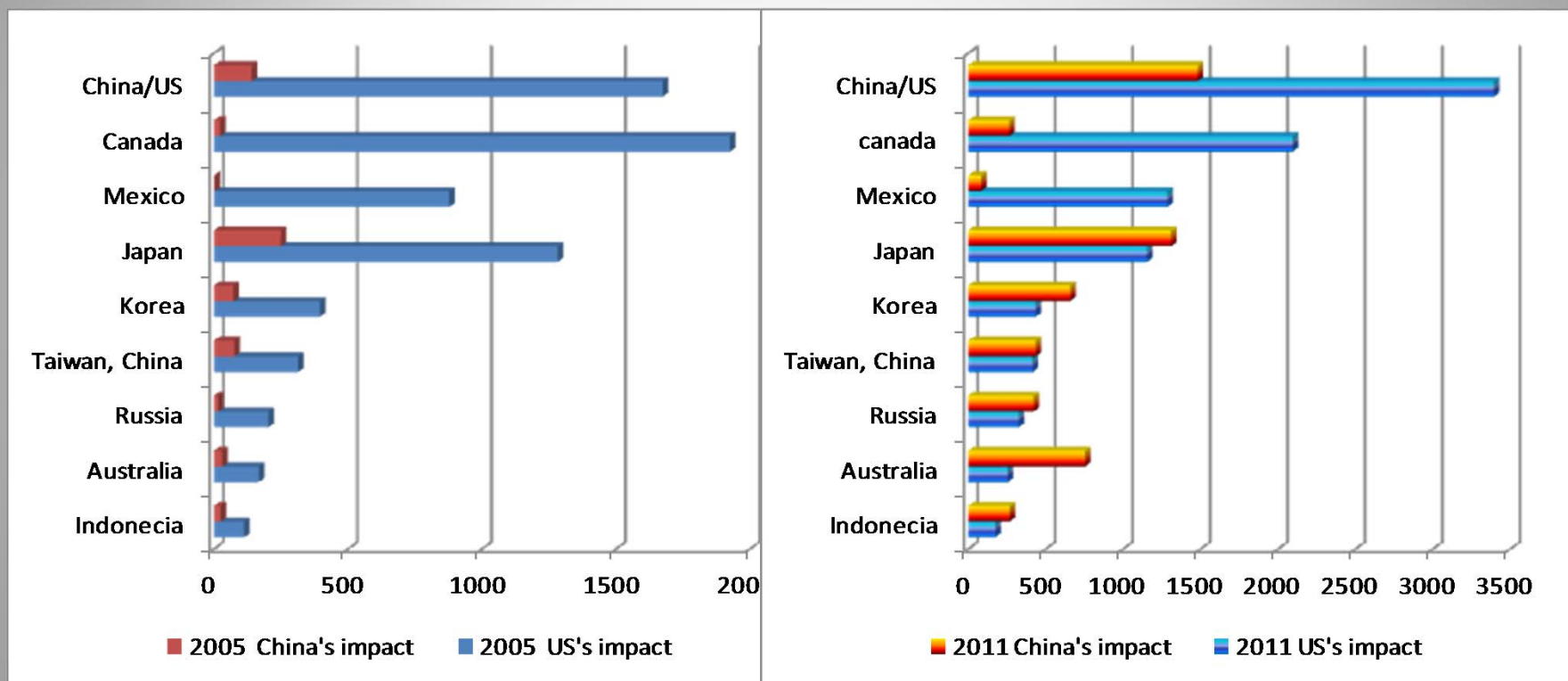
### - Great effects on export to China by China's FTA partner

figure: dairy export to China



## Contribution of demand from the US and China to major APEC economies (Value added, 2005~2011)

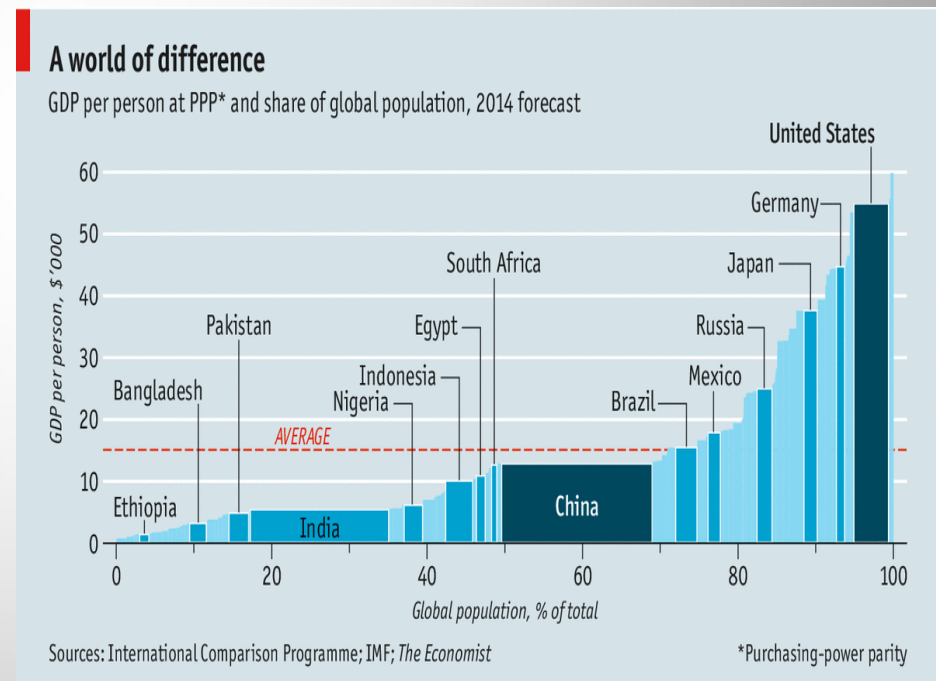
- 1) **China's impact increased greatly in the past 10 years**
- 2) **For most APEC economies, the contribution of China's demand > that of US**



Sources: a DRC research

## Need to realize:

- **Even if China's overall GDP surpasses the US (by whatever measures), the two economies will maintain very different levels of sophistication:**
  - GDP per capita
  - fewer groundbreaking inventions
  - financial markets
  - RMB denominated trade
  - challenge the dominant role in rule-setting?





## II. The changing situation: Rational of further opening-up

### ● Domestic

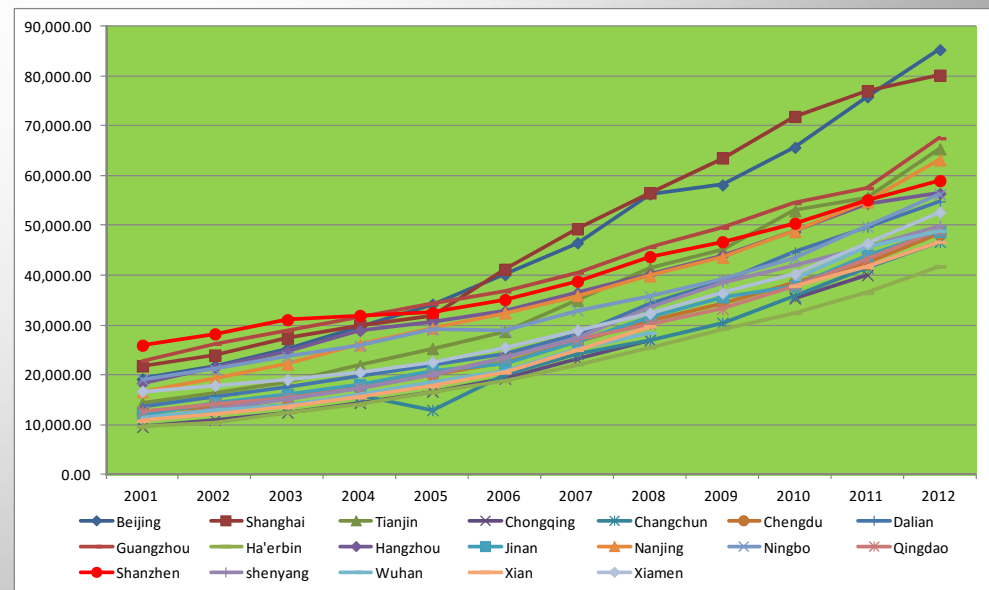
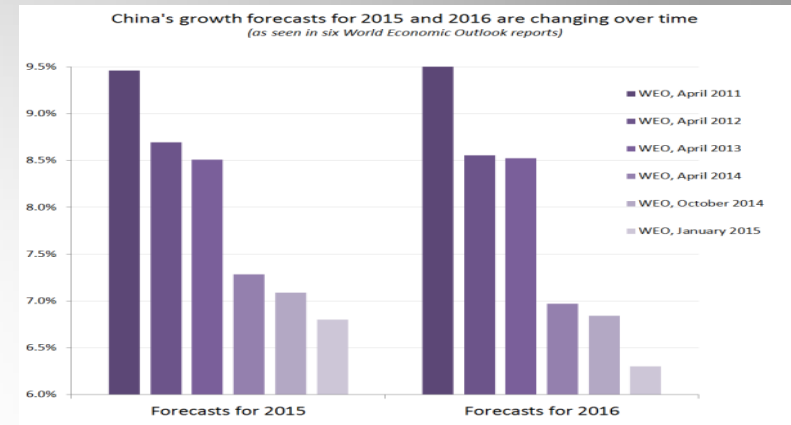
- China's economy enters into the new normal

slow down requests further restructuring

scale and speed (investment driven) → quality and efficiency (innovation driven)

- Comparative advantages:

low labor and land cost  
increasing dramatically



## ● External – challenges and opportunities

### □ Post-crisis global recovery: Weak /uncertain ?

downward readjustment of forecast on world GDP growth:

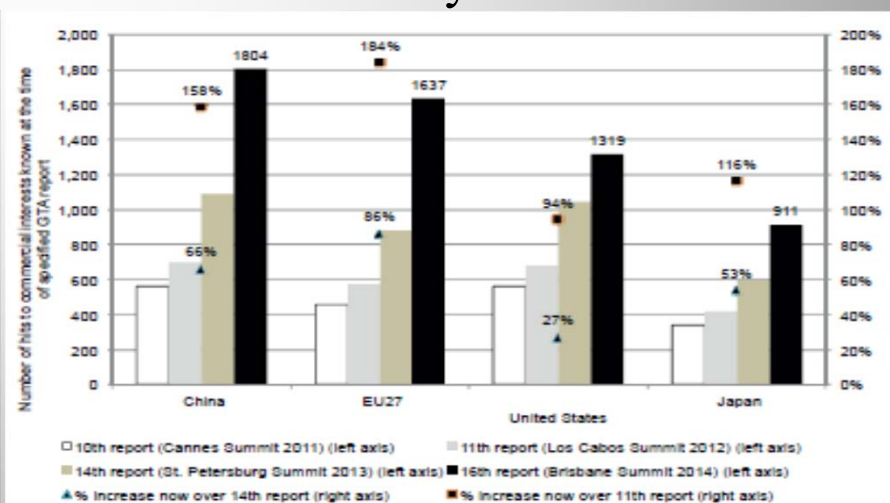
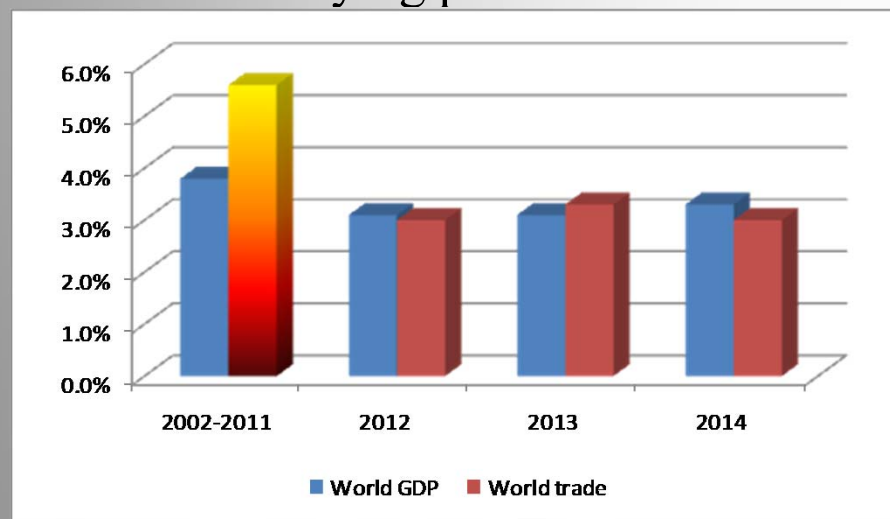
IMF in July: 3.8% -- 3.3%; OCED in June: 3.7% --3.1%; ADB on Asia

(divergence among the advanced countries + slow down of emerging economies)

### □ World trade:

2 times of world GDP growth rate in the first decade → equal or lower now

\* intensifying protectionism: more trade frictions show by “*Global Trade*”





□ **Intensified competition along with deepening globalization**

- market, resources, capital, innovation and new technology

- **benefits distribution: new round of rule-setting in world trade & investment**

*1) Mega-FTAs: TPP (Asia-Pacific) + TTIP (US-EU)*

- “exclusive”+ high standard+ wider coverage(WTO plus rules & “behind border ”issues)

*2) Focus of market openness shifting to: service sectors & investment liberalization*

*3) pivot to plurilateral : TISA + ITA + GPA (the like-minded get together)*



## ● opportunities

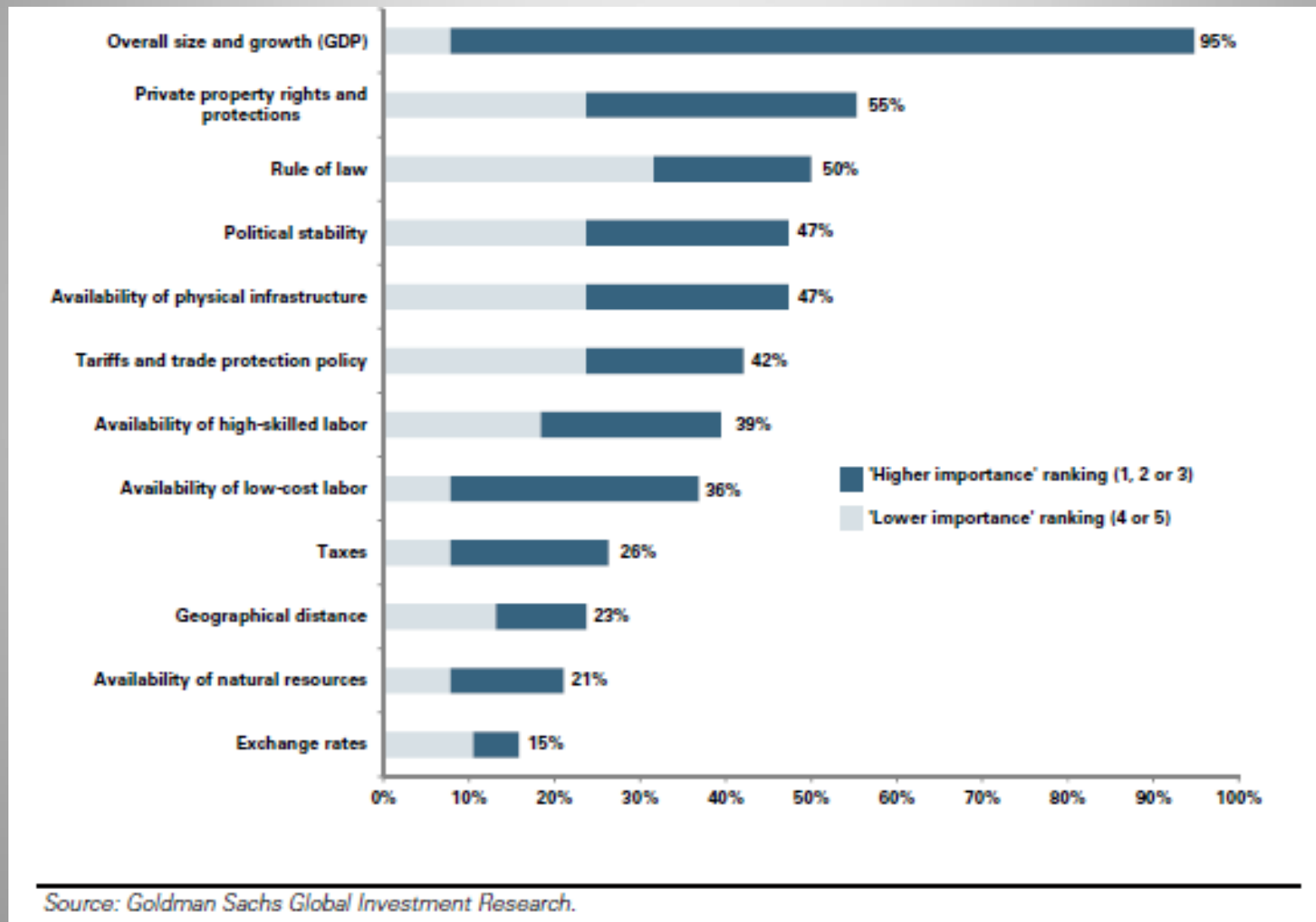
### □ external

- infrastructure construction: restoring the manufacturing and pushing forward
- ODI: needs for capital input and M&A for technology and management
- regional integration and cooperation

### □ domestic

- market scale: great potential into big reality
- competitive edge: low comprehensive cost + better business environment
- more development needs and potentials
  - still a developing country with lower level of GDP per capita + in the process of industrialization and urbanization

Figure: key factors behind US firms' decision-making on FDI to China



### III. Strategic options for China

- **General goals**

- to build a more favorable external environment for peaceful development
- to accelerate economic restructuring and improve position in global value chain by better use of external market and resources
- to shoulder more responsibilities as an emerging power

- **China's efforts:**

- comprehensive reforms: creation of a supportive institutional arrangement
- further opening up: we should → we will



## Priorities for further opening-up

**Trade:** improve competitive advantages and position in global value chain

**Services:** further opening-up and institutional reform  
(become a new growth engine and improve business environment)

**FDI and ODI:** reform of investment management system  
(to allocate global resource and cultivate China's own TNCs)

**International collaboration:**  
better external environment + sustainable development through win-win cooperation

x3

改进研究方法

xuhongqiang, 6/9/2014



## Concluding remarks

- internal and external context  
new normal + more complex
- logic for opening strategy  
greater contribution → greater influence → more responsibility  
catch → create → share opportunities



- **To strengthen mutual beneficial cooperation:**

- **participation of rule-making and global governance**

- to build a fair, open, inclusive and sustainable world economic order

- **regional cooperation**

- FTAs + one belt one road + functional cooperation

- **international development**

- to provide more public goods



Thank you!

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