Institutional Opening-up: Literature Review and Latest Developments

Renli Zhao[1, *]

[1]Department of International Trade, Nanjing University of Science and Technology, Nanjing, China

*Corresponding author: 2374014434@qq.com

Abstract

Since the reform and opening up, China has firmly seized the strategic opportunity of economic globalization and continuously expanded opening up, achieving huge historical achievements. Facing new opportunities and challenges at home and abroad, China has transitioned from the stage of open economy development centered on the flow of goods and factors to the stage of institutional opening up. This paper will outline the background, meaning and measurement methods of institutional opening up, and summarize specific policies and the latest progress.

Keywords

Institutional opening up; Literature review.

1. Background of Institutional Opening-up

Institutional opening-up is an important symbol of promoting high-level opening-up in China. It is a major judgment made by the Party Central Committee based on changes in the domestic and international political and economic environments and development trends. It is also an inherent requirement for China's economic development to enter a new era (Wei Hao et al., 2022). In 2018, the Central Economic Work Conference first proposed the concept of institutional opening-up. The conference pointed out that one of the key tasks in 2019 is to promote all-round opening-up, that is, "promote the transformation from commodity and factor flow-oriented opening-up to rule and other institutional opening-up." Since then, institutional opening-up has been mentioned in many conferences. In 2019, the Fourth Plenary Session of the Nineteenth Central Committee proposed "promoting institutional opening-up in terms of rules, regulations, management, and standards." In 2021, the 13th National People's Congress proposed to "steadily expand institutional opening-up in terms of rules, regulations, management, and standards." In 2022, the report of the 20th National Party Congress proposed to "steadily expand institutional opening-up in terms of rules, regulations, management, and standards." In 2023, President Xi Jinping emphasized when presiding over the second group study session of the Political Bureau of the Central Committee: "Promote high-level opening-up, steadily promote institutional opening-up in terms of rules, regulations, management, and standards, and enhance China's voice in the international environment" (Yu Xunda et al., 2023).

The background of China's institutional opening-up can be divided into international and domestic backgrounds. The international background is mainly divided into three aspects. First, the world economic development is stagnant, and the trend of anti-globalization is intensifying. Second, global income distribution issues are prominent. While economic globalization has promoted the improvement of world economic income, it has also caused income polarization and the relative deterioration of the income of some countries and groups. Third, the construction of economic globalization institutions is facing challenges. Challenge one is that the existing institutions are difficult to adapt to the rapidly developing digital economy;

ISSN: 2637-6067 DOI: 10.6918/IJOSSER.202412_7(12).0004

challenge two is that multilateral trade systems, regional trade and bilateral trade systems coexist, and the multilateralism system represented by the WTO is at risk of being marginalized; challenge three is that the revival of protectionism has caused the WTO mechanism to come to a standstill. The domestic background is mainly that China's economy has entered a stage of high-quality development. Accelerating institutional opening-up is to build a new development pattern. Accelerating institutional opening-up shows that China adheres to the people-centered development. Starting from meeting the needs of the people for a better life, it solves the problems of unbalanced and inadequate development, promotes the progress of productive forces and the all-round development of people. Institutional opening-up is also an inherent requirement for building a new development pattern. To accelerate the transformation from factor-driven development to innovation-driven development, we must adhere to both technological innovation and institutional innovation. In addition, accelerating institutional opening-up is a response to the reform and improvement of the world economic system. Under the situation of anti-globalization, China's acceleration of institutional opening-up reflects China's initiative in promoting economic globalization and implements the people-centered development ideology into the concept of economic globalization (Zhao Weihong et al. , 2022).

2. Definition of Institutional Opening-up

Institutional opening-up refers to an open strategy that aligns China's relevant rules in relevant institutional and mechanism fields with strong spillover effects with international prevailing rules, especially the high-standard rules of developed countries, and implements a series of systematic institutional innovation measures on this basis to effectively promote the high-quality, safe and orderly integration of China and the world economy (Research Group of the Institute of Foreign Economic Relations, National Development and Reform Commission, 2021). Subsequent scholars have extended and expanded the concept of an open economy. Zhang Erzhen et al. (2019) believe that institutional opening-up is relative to commodity and factor flow-oriented opening-up, a kind of "import and export" of rules and other institutions. But different from the attributes of commodities and factors that meet production and demand, institutional opening-up is to form regional and even global multilateral rules on the premise of respecting the will of all parties. Dai Xiang (2021) believes that institutional opening-up refers to the continuous optimization of policy measures and rule systems for managing and regulating domestic economic activities. On the one hand, it is necessary to achieve docking with international standards, and on the other hand, it is also necessary to make Chinese contributions to leading the high-standard development of global economic and trade rules. Li Zhongyuan et al. (2021) believe that the essence of an open economy is to promote domestic rule and institutional adjustment or reform, and at the same time form regional and even global multilateral rules widely recognized by all countries, and then build an open world economic system based on this. Liu Xiaoning et al. (2023) believe that institutional opening-up is to achieve a higher level, deeper and broader field of opening through the domestic and foreign connection of rules, regulations, management and standards, and then deepen international economic cooperation. Among them, when making the domestic and foreign connection of institutions, both institutional input and institutional output should be carried out simultaneously. For relevant institutions that are lacking in China and have a low standard level, they should actively connect with international standards and improve them; for the rule fields in China's advantageous fields and emerging fields where there is no international consensus for the time being, they should actively carry out international coordination and rule design. Wang Shuguang et al. (2023) believe that the essence of institutional opening-up is the interaction between domestic and international institutions, including the dual meanings of inward institutional optimization and outward institutional supply. In particular, Liang Dan et al. (2023) and Wang Xiaosong et al. (2023) define institutional opening-up into narrow and

ISSN: 2637-6067 DOI: 10.6918/IJOSSER.202412_7(12).0004

broad senses. Liang Dan et al. (2023) believe that narrow institutional opening-up mainly refers to the systematic and high-level opening of a country or region at the levels of laws and regulations, rules and regulations, management mechanisms, and management standards. Broad institutional opening-up mainly covers institutional innovation and construction in aspects such as open economic forms, open economic institutional frameworks, and open economic models. Wang Xiaosong et al. (2023) believe that narrow institutional opening-up is "domestic opening-up", that is, the country effectively connects domestic economic and trade rules with international high-standard economic and trade rules according to its own development needs and changes in the international environment. On the basis of "border opening" mainly focusing on reducing tariff and non-tariff barriers, it continuously expands rule changes and institutional optimization to "domestic opening". Broad institutional opening-up further emphasizes establishing a basic institutional framework, administrative supervision system and rule standard ecology suitable for the development model of an open economy through a series of domestic institutional innovations. Through the two-way interaction of domestic and international rules, it promotes the high-quality, safe and orderly integration of China and the world political and economic systems.

Institutional opening-up is mainly characterized by trade and investment facilitation, intellectual property protection, government procurement, and competition neutrality. The goal of institutional opening-up is to create an open business environment that is market-oriented, law-based and internationalized (Jiang Xiaojuan et al., 2023). The purpose of institutional opening-up is to actively participate in the reform and improvement of the global governance system, firmly safeguard an open world economy, promote the building of a community with a shared future for mankind, and provide more Chinese constructive solutions for actively responding to global challenges and resolving regional hotspot issues.

3. Measurement of Institutional Opening-up

Early literature on institutional opening-up mainly focused on normative analysis. In the past two years, scholars have begun to measure and conduct empirical analysis on institutional opening-up. Measurement and empirical analysis mainly focus on three aspects: first, using the entropy weight method to construct indicators to measure China's institutional opening-up level; second, using the difference-in-differences method to analyze the impact of institutional opening-up on urban economic efficiency, enterprise efficiency, consumer welfare and urban green innovation level; third, using text analysis methods or constructing indicators by oneself to measure the level of openness, such as policy trade coverage.

Based on China's provincial panel data from 2005 to 2020, Li Ping et al. (2023) studied how institutional opening-up promotes technological innovation. The core explanatory variable in the article is the comprehensive index of institutional opening-up. This index is divided into four dimensions: rule consistency, regulation consistency, standard consistency and management consistency, and is further subdivided into 32 variables. The principle of index construction is as follows: first, use the entropy weight method to calculate the comprehensive index of institutional opening-up, and then use the principal component analysis method to calculate the robustness of the comprehensive index of institutional opening-up. Nie Xinwei et al. (2022) used the entropy weight-Topsis distance function method to measure the level of institutional opening-up in 31 provinces (autonomous regions and municipalities directly under the Central Government) in China. The evaluation index system is constructed from three dimensions: business environment, trade and investment facilitation, and institutional innovation, and is specifically subdivided into 11 basic indicators.

Nie Zhengyan et al. (2023) used the free trade pilot zone policy to measure institutional opening-up. Using the data of 266 cities in China from 2007 to 2019, they used a multi-period

ISSN: 2637-6067 DOI: 10.6918/IJOSSER.202412_7(12).0004

difference-in-differences model to examine the impact of the free trade pilot zone policy on urban economic efficiency. Similarly, Lv Hongyan et al. (2022) took the establishment of a free trade pilot zone as a quasi-natural experiment of institutional opening-up. Based on the data of A-share listed companies from 2008 to 2019, they used a difference-in-differences model to examine the impact of institutional opening-up on enterprise efficiency. Different from Nie Zhengyan et al. (2023) and Lv Hongyan et al. (2022), Zhang Hongsheng et al. (2023) based on the data of 34 countries and 30 provinces and cities in China, took the cross-border e-commerce comprehensive pilot zone as an exogenous shock event. Through a multi-period difference-in-differences model, they measured the average impact of the construction of the comprehensive pilot zone on trade costs, and further quantitatively evaluated the impact of institutional opening-up on consumer welfare. Han Shenchao et al. (2023) based on the panel data of 281 sample cities in China from 2006 to 2020, on the basis of combing the theoretical mechanism of institutional opening-up in the service industry promoting green innovation, empirically tested the impact of the service outsourcing demonstration city policy on regional green innovation level by using the multi-period difference-in-differences method.

Wang Xiaosong et al. (2023) used China's enterprise-level data from 2009 to 2013 to study the relationship between institutional opening-up and enterprise innovation. This article draws on the idea of constructing tariff variables to measure the degree of trade liberalization and constructs an indicator of policy trade coverage. The construction idea of this indicator is to use the proportion of a company's imports from an importing country in the total imports of all companies from that country as the weight, weight the coverage rate of China's in-border trade opening policies implemented to that partner country, and perform arithmetic summation at the enterprise's importing country level to obtain the enterprise-level institutional opening-up level. Zhuo Chengfeng et al. (2023) used the text combination identification method to extract key expressions from more than 150,000 policy documents, and explored and calculated the institutional opening-up level at the city level in China from 2007 to 2019. On this basis, they empirically tested the impact of institutional opening-up on the economic resilience of Chinese cities. Yang Jian et al. (2021) based on the data of 28 free trade pilot zones in China, used text analysis to analyze how the government allocates resources in institutional opening-up.

4. Specific Policies of Institutional Opening-up

Although the institutional systems in traditional fields of opening-up and cooperation such as commodity trade, service trade, and investment have basically been in line with international standards, China's level of liberalization and facilitation still needs to be improved. Institutional opening-up is a major measure to improve trade facilitation. This part first introduces China's existing achievements in institutional opening-up, then introduces the specific tasks of institutional opening-up, and finally introduces the strategic choices proposed by scholars for institutional opening-up.

Since the 18th National Party Congress, China's practices and achievements in institutional opening-up are mainly reflected in four aspects. First, the improvement of the foreign investment management system, including the construction of free trade pilot zones, the full implementation of the negative list system for market access, and the construction of a foreign investment security review system. Second, promoting the negotiation and conclusion of investment and trade agreements such as RCEP and CECAI to release new impetus for institutional reform. Third, putting forward and implementing China's propositions on global economic governance based on major platforms. One of the propositions is to oppose all forms of protectionism. The second proposition is to put forward the concept of "a community with a shared future for mankind", build an open world economy, and adhere to the concept of global governance of extensive consultation, joint contribution and shared benefits. The third

ISSN: 2637-6067 DOI: 10.6918/IJOSSER.202412_7(12).0004

proposition is to actively promote digital trade governance under the WTO framework and give China's suggestions on aspects such as exempting electronic transmissions from tariffs and recognizing digital certificates and electronic signatures. Fourth, relying on the "Belt and Road Initiative" to promote inclusive development of the global economy. The "Belt and Road Initiative" proposed by China promotes infrastructure construction in China and countries along the line, which helps to promote income equality (Zhao Weihong et al., 2022).

The specific tasks of institutional opening-up mainly include three aspects. First, actively promote mechanism innovation in key areas of institutional opening-up centered on "taking China as the main body": improve the level of opening-up in traditional economic and trade cooperation fields such as commodity trade, service trade and investment; actively create high-level rules in fields such as cross-border talent flow and digital trade; in "post-border" fields such as intellectual property protection, subsidy policies, government procurement, and state-owned enterprises, form new high-level international rules; comprehensively improve industry rules and standards to be in line with international high standards. Second, while adhering to positions, actively promote the docking and coordination of rules with other major economies: dock and coordinate rules with the United States; dock and coordinate rules with other developed economies and actively join CPTTP; strengthen the docking and coordination of rules with other emerging market countries under the framework of the "Belt and Road Initiative". Third, build a high-level institutional opening-up guarantee mechanism: build an institutional opening-up mechanism from three directions: safeguarding national security, coordinating departments, and comprehensive evaluation (Research Group of the Institute of Foreign Economic Relations, National Development and Reform Commission, 2021).

For the strategic choices of institutional opening-up, different scholars have put forward corresponding suggestions for different studies. Li Zhongyuan et al. (2023) expressed China's strategic choices for institutional opening-up from two aspects. Adhere to the orientation of improving institutional quality. Adhere to the combination of institutional learning and institutional innovation. Not only learn and dock with high-standard international economic and trade rules, but also conduct institutional innovation to achieve the improvement and leadership of international economic and trade rules to a certain extent. Adhere to realizing high-level opening-up through deepening domestic reforms. Adhere to promoting institutional innovation in global economic governance and actively promote concepts such as "a community with a shared future for mankind" and "mutual benefit and win-win results", and provide Chinese wisdom for the deficiencies of international rules and institutions in global economic governance. Zhao Weihong et al. (2022) believe that institutional opening-up should follow the following three points: take the opportunity of applying to join CPTPP and DEPA to dock with high-level rules of developed economies and promote institutional construction focusing on service trade, digital economy, and intellectual property protection; strengthen the institutional innovation function of free trade pilot zones and free trade ports, and accelerate the implementation of comprehensive negative list system reform for market access; seize the strategic opportunity of the "Belt and Road Initiative" and promote investment and trade rules by China to become the institutional construction achievements of the global multilateral trade system. Liu Xiaoning et al. (2023) believe that the strategic choices for institutional opening-up should have the following five points: actively participate in and promote the transformation of global economic governance; expand a high-standard free trade zone network facing the world; give full play to the pressure test function of various open pilots; accelerate the construction of a new high-level institutional opening-up system; establish and improve an open economic security guarantee system. Wang Ying (2023) believes that institutional opening-up should grasp four initiatives: actively docking with high-level international economic and trade rules, actively accelerating the integration of domestic regulations with international ones, actively creating a first-class business environment, and actively leading the formulation of

ISSN: 2637-6067 DOI: 10.6918/IJOSSER.202412_7(12).0004

international standards. Chang Yu et al. (2022) believe that promoting institutional opening-up should start from four perspectives: participating in global governance, unclogging existing blockages, improving the trade system and optimizing the business environment. Liang Dan et al. (2023) expounded on China's strategic choices for institutional opening-up from four aspects. First, promote domestic open institutional innovation and improve the domestic open institutional system. Give full play to the innovation and leading role of free trade pilot zones and cross-border e-commerce comprehensive pilot zones. Second, improve the exploration of rules and institutional mechanisms in various fields. Take the exploration of digital trade rules as a breakthrough for innovation and strive to improve the level of import and export enterprises enjoying preferential treatment under origin rules. Third, find the entry point and actively promote international high-level institutional consultations and cooperation. Fully utilize the "Belt and Road Initiative" as the preferred platform for promoting institutional opening-up at the international level. Make full use of the construction of free trade zones as an important channel for international economic cooperation to promote international multilateral and bilateral institutional consultations and cooperation. Prudent promotion of RMB internationalization and build financial support for high-level institutional opening-up. Plan a multi-party linked business negotiation mechanism and commercial dispute settlement mechanism. Fourth, focus on shortcomings and bottlenecks and build a security guarantee mechanism for high-level institutional opening-up. Strive to build a guarantee system and mechanism for maintaining the security of institutional opening-up, including foreign investment, cross-border flow of factors, the "Belt and Road Initiative" and free trade zones. Focus on building a comprehensive effect evaluation system and mechanism for institutional opening-up. Focus on building a strict financial supervision system to effectively guarantee the security of financial opening.

5. Summary

In general, scholars' strategic choices can be summarized into the following four aspects: First, improve the quality of domestic institutions, such as learning high-level international economic and trade rules, optimizing the business environment, and strengthening the construction of pilot free trade zones. Second, actively connect with international rules, such as applying to join the CPTPP and DEPA. Third, actively participate in global governance and promote Chinese concepts to the international stage, such as concepts like "a community with a shared future for mankind" and "mutual benefit and win-win results." Fourth, seize the opportunity of the "Belt and Road Initiative" and promote the investment and trade rules formulated under China's leadership to become the institutional construction achievements of the global multilateral trading system.

References

[1] Cui Qingbo, Deng Xing, Guan Siyuan. From Expanding Opening-up to Institutional Opening-up: The Evolution and Upgrade of the Open Platform. Western Forum, 2023, 33(01): 42-58.

[2] Chang Yu, Qian Xuefeng. The Connotation, Current Situation and Path of Institutional Opening-up. World Economy Studies, 2022, (05): 92-101+137.

[3] Dai Xiang, Zhang Erzhen. The "Belt and Road" Initiative Construction and China's Institutional Opening-up. International Economics and Trade Research, 2019, 35(10): 4-15.

[4] Dai Xiang. Factor Division, Institutional Opening-up and High-Quality Development of Export Trade. Tianjin Social Sciences, 2021(03): 93-98.

ISSN: 2637-6067 DOI: 10.6918/IJOSSER.202412_7(12).0004

[5] Research Group of the Institute of Foreign Economic Relations, National Development and Reform Commission. Research on China's Ideas for Promoting Institutional Opening-up. Macroeconomic Research, 2021, (02): 125-135+148.

[6] Han Shenchao, Li Miao, Li Xiaozhong. Research on the Impact of Institutional Opening-up of the Service Industry on Regional Green Innovation: A Quasi-Natural Experiment Based on the Construction of Service Outsourcing Demonstration Cities. Technology Economics, 2023, 42(09): 12-23.

[7] Hu Zaiyong. Institutional Opening-up and the Reconstruction of China's Foreign Economic Relations. Foreign Affairs Review (Journal of Foreign Affairs College), 2023, 40(05): 1-18+165-166.

[8] Jiang Xiaojuan, Meng Lijun, Wei Bi. Improve Cross-Border Resource Allocation Efficiency with High-Level Division of Labor and Institutional Opening-up. Economic Research Journal, 2023, 58(08): 15-31.

[9] Li Zhongyuan, Sun Xingjie. The Internal Logic and China's Strategic Choices of Institutional Opening-up Under the Background of Globalization Fracture. International Economics and Trade Research, 2023, 39(03): 103-116.

[10] Li Ping, Qiao Youqun, Zhang Jingting. How Does Institutional Opening-up Promote Technological Innovation: Evidence from China's Provincial Panel. Nankai Economic Studies, 2023, (07): 108-125.

[11] Li Zhongyuan, Sun Xingjie. The Internal Logic and China's Strategic Choices of Institutional Opening-up Under the Background of Globalization Fracture. International Economics and Trade Research, 2023, 39(03): 103-116.

[12] Liu Xiaoning, Xuan Yali. The Realistic Background, Key Areas and Strategic Choices of China's Promotion of Institutional Opening-up. Theory Journal, 2023(05): 109-118.

[13] Liang Dan, Chen Chen. The Realistic Logic and Path Choice of China's Promotion of Institutional Opening-up. Study Forum, 2023, (01): 111-118.

[14] Lv Hongyan, Chen Hongmei, Qiao Jinjie. Research on the Impact and Mechanism of Institutional Opening-up on Enterprise Efficiency. Soft Science, 2022, 36(09): 137-144.

[15] Nie Xinwei, Xue Qinyuan. Measurement and Evaluation of China's Institutional Opening-up Level and Policy Optimization. Regional Economic Review, 2022, (04): 101-111.

[16] Nie Zhengyan, Qin Wenyu, Chen Kaida. Research on the Impact of Institutional Opening-up on Urban Economic Efficiency: Based on the Experience of Establishing Pilot Free Trade Zones. Economic Review, 2023, (10): 75-88.

[17] Wei Hao, Lu Zixuwei, Liu Yuan. The Course, Characteristics and Strategic Choices of China's Institutional Opening-up. International Trade, 2022, (07): 13-22.

[18] Wang Xiaosong, Chang Yuan. Institutional Opening-up and Enterprise Innovation: Empirical Evidence from China's Industrial Enterprise Data. Academic Research, 2023, (01): 73-81.

[19] Wang Ying. Institutional Opening-up: The Core Direction of High-Level Opening-up. China Social Sciences Daily, 2023-03-01(003). DOI:10.28131/n.cnki.ncshk.2023.000861.

[20] Wang Shuguang, Wang Bin. Institutional Opening-up and the Reconstruction of Global Financial Order: China's Practice and Methodology. Social Science Front, 2023, (07): 26-33+281.

[21] Yu Xunda, He Jiacheng. Institutional Opening-up and the Construction of a New Modern Country. Journal of Jilin University (Social Sciences Edition), 2023, 63(05): 10-17+236.

[22] Yang Jian, Zhang Wei, Zhang Dan. Research on Attention Allocation of Institutional Opening-up: Based on the Text of Free Trade Pilot Zone Plans. International Economic Cooperation, 2021(03): 50-58.

ISSN: 2637-6067 DOI: 10.6918/IJOSSER.202412_7(12).0004

[23] Zhang Hongsheng, Xie Yuexing, Yang Gaoju. Institutional Opening-up and the Enhancement of Consumer Welfare: Evidence from Cross-Border E-Commerce Comprehensive Pilot Zones. Economic Research Journal, 2023, 58(08): 155-173.

[24] Zhao Weihong, Zhang Xu. The Era Background, Historical Logic and Practical Basis of China's Institutional Opening-up. Economist, 2022, (04): 17-27.

[25] Zhuo Chengfeng, Mao Yanhua. Institutional Opening-up and Urban Economic Resilience. Journal of International Trade, 2023, (04): 1-17.