

# Evolution of China's Foreign Trade Policy and Its Influence on International Trade Pattern

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## ABSTRACT

Since the reform and opening up, China's foreign trade policy has experienced a new stage from export-oriented to institutionalized opening up, and then to high-quality opening up. China conforms to the trend of economic globalization, continuously expands its opening up to the outside world and actively carries out economic and trade cooperation with other countries on the basis of equality and mutual benefit. This evolution has not only promoted the sustained growth of China's economy, but also profoundly affected the global trade pattern. This paper systematically analyzes the adjustment process of China's foreign trade policy from the aspects of historical evolution, internal logic and external drive, and discusses its influence on global value chain, regional cooperation and international economic and trade governance, so as to provide reference for understanding China's opening strategy and changes in international trade pattern in the new era.

## KEYWORDS

Foreign Trade Policy; Reform and Opening Up; Global Value Chain; International Economic and Trade Governance; High-Quality Opening Up

## 1. INTRODUCTION

Since the implementation of reform and opening up in 1978, China's foreign trade policy has been continuously adjusted and improved. Its guiding changes not only reflect the stage characteristics of domestic economic development, but also reflect China's strategic positioning in the process of globalization. The evolution of foreign trade policy is accompanied by the reform of China's economic system [1]. From the early export-oriented strategy to the institutionalized opening up after China's accession to the World Trade Organization, to the new pattern of opening up emphasizing high-quality development in the new era, it constitutes the main line of the evolution of China's foreign trade system. At present, the global economic situation is complex and changeable, international trade protectionism is on the rise, and the evolution of China's foreign trade policy is of great significance to the reshaping of international trade pattern, the deepening of regional cooperation and the innovation of global economic and trade rules, which deserves in-depth study and systematic analysis.

## 2. HISTORICAL EVOLUTION OF CHINA'S FOREIGN TRADE POLICY

### 2.1. Export-oriented Stage in the Early Stage of Reform and Opening Up (1978-2000)

At the beginning of reform and opening up, China's foreign trade policy took "import" and "export to earn foreign exchange" as its core objectives and implemented an export-oriented strategy. After 1978, the state gradually relaxed its foreign trade management and established the guiding principle of

"centering on economic construction" [2]. In 1980, Shenzhen, Zhuhai, Xiamen, Shantou and other special economic zones were established as experimental areas for foreign trade reform, introducing foreign investment and advanced technology to promote the development of export industries. The Ten Provisions on the Utilization of Foreign Investment and the policy of "processing trade" issued in 1986 marked the transformation of China's foreign trade from state control to marketization. In the 1990s, China successively implemented such policies as tariff concessions, export tax rebates, exchange rate consolidation and establishment of foreign-invested enterprises, thus forming a foreign trade pattern oriented to export processing and focusing on coastal areas. Textile, household appliances, machinery manufacturing and other industries have become export pillars, and labor-intensive products occupy the international market share. The policy of this stage focuses on "promoting industry through trade" and "promoting development through foreign investment", realizing the historical transformation from closed economy to open economy, laying the foundation for subsequent accession to the World Trade Organization (WTO).

## **2.2. Institutionalization and Multilateralization after WTO Accession (2001-2012)**

China formally joined the WTO in 2001, marking that foreign trade policy has entered a new stage of institutionalization and regularization. Since then, China has comprehensively revised its foreign trade laws and regulations in accordance with the requirements of the multilateral trading system, lowered tariff barriers, abolished export quotas and licensing systems, strengthened intellectual property protection, and formed a market economy system in line with international rules [3]. During this period, the policy orientation changed from "quantitative expansion" to "paying equal attention to quality and structure". The government has promoted export diversification and industrial upgrading through measures such as "export tax rebate reform", "export credit support" and "free trade zone construction". The proportion of processing trade gradually decreased, while the proportion of general trade and exports of high value-added products increased. There have also been breakthroughs in foreign investment policies. The proposal of the "Going-out Strategy" has enabled enterprises to actively participate in international resource allocation. Under the multilateral framework, China actively participates in regional cooperation such as APEC and ASEAN-China Free Trade Area (CAFTA), enhancing its voice in international trade. By 2012, China had become the world's largest trading country in goods, accounting for more than 10% of the world's total foreign trade. The institutionalized reform of foreign trade policy has significantly improved the global competitiveness of China's economy.

## **2.3. High-quality Opening Stage in the New Era (2013-present)**

Entering a new era, China's foreign trade policy has shifted from "speed-oriented opening" to "quality-oriented opening", emphasizing institutional opening and participation in global governance. The Belt and Road Initiative proposed in 2013 has become a new platform for opening up to the outside world, promoting infrastructure interconnection and economic and trade cooperation among countries along the route. At the same time, the construction of the Pilot Free Trade Zones has been fully rolled out, expanding from Shanghai to many provinces and cities across the country, forming replicable and scalable institutional innovation experience. In terms of trade policy, China has gradually improved its free trade zone network, promoted the signing and implementation of the Regional Comprehensive Economic Partnership Agreement (RCEP), and actively participated in the negotiations of the Digital Economic Partnership Agreement (DEPA), demonstrating a higher level of openness. The policy focus has shifted from expanding exports to optimizing import structure, promoting trade balance, and developing trade in services and digital trade.

In recent years, the implementation of the Foreign Investment Law, the support of cross-border e-commerce policies and the proposal of green trade initiatives mark important progress made by China in building a new open economic system [4]. Foreign trade policies pay more attention to scientific and technological innovation, industrial chain security and sustainable development, reflecting the

characteristics of the new stage with "high-quality development" as the core. China's position in the global value chain has changed from "world factory" to "innovation hub", which has a profound impact on the international trade pattern.

### **3. INTERNAL LOGIC AND DRIVING FACTORS OF CHINA'S FOREIGN TRADE POLICY ADJUSTMENT**

#### **3.1. Internal Demand for Structural Transformation of Domestic Economy**

The evolution of China's foreign trade policy first stems from the inherent demand of domestic economic structural transformation. At the beginning of reform and opening up, foreign trade policy was mainly export-oriented, promoting industrialization and employment by attracting foreign investment and developing processing trade. However, with the rapid expansion of economic aggregate, the traditional "high input, low added value" model has gradually become difficult to support sustained economic growth [5]. After entering the 21st century, labor, land and energy costs have risen, and the comparative advantages of export-oriented enterprises are gradually weakened. It is urgent to promote industrial structure upgrading through policy adjustment.

A country's foreign trade surplus or deficit is mainly determined by its economic structure and the international competitiveness of its products or services. China does not deliberately pursue a surplus in foreign trade. China's trade in services has been in deficit for a long time. Against this background, the Chinese government has successively issued policies such as the Guidelines for the Construction of Foreign Trade Transformation and Upgrading Demonstration Bases and the Pilot Program for Innovative Development of Trade in Services, promoting the transformation from a "manufacturing power" to a "manufacturing powerhouse." The focus of foreign trade policy has shifted from promoting the expansion of export quantity to enhancing technological content and brand competitiveness, supporting exports in emerging fields such as high-tech, green manufacturing and digital economy. At the same time, the state put forward a new development pattern of "double circulation", organically integrating the domestic market with the international market, emphasizing that the domestic circulation is the main body and the international circulation promotes each other. This policy shift reflects the fundamental transformation of foreign trade development from "factor-driven" to "innovation-driven".

#### **3.2. External Impetus of International Environmental Change and Globalization Pattern**

The adjustment of China's foreign trade policy is also strongly influenced by the changes in the international environment and the evolution of the globalization pattern. The international financial crisis in 2008 exposed the fragility of the global trading system, shrinking international market demand and rising trade protectionism, which made China's foreign trade face external shocks. In the face of the new situation, China must improve its foreign trade resilience through policy innovation. After entering a new era, the global supply chain accelerates restructuring, and digital economy and green trade become new trends. The United States and the European Union have strengthened export control and investment review in the high-tech field, and competition in international economic and trade rules has intensified, prompting China to accelerate the layout of diversified trading partners and regional cooperation. Signing the Regional Comprehensive Economic Partnership Agreement (RCEP) and promoting the construction of the Belt and Road Initiative have become important strategies to deal with external uncertainties. Global trade issues have expanded from simple tariff issues to non-traditional fields such as data flow, environmental standards, labor rights and interests, which puts forward higher requirements for China's foreign trade policy. China actively adapts to the changes in the global governance system by improving its legal system, enhancing transparency and optimizing its business environment. China's trade with other developing countries has also grown at

a relatively fast pace in recent years. Its long-standing trade with Arab countries has further developed, its economic and trade cooperation with Latin American countries has been expanding. Its trade with African countries has given full play to those complementary advantages of both sides in terms of resource conditions and economic structures, thus promoting their respective development. The change of international environment is not only the passive driving force of China's foreign trade policy adjustment, but also an important opportunity to promote China's transformation from "rule acceptor" to "rule participant".

### **3.3. Strategic Orientation of Institutional Openness in Line With International Rules**

After entering the second decade of the 21st century, the core logic of China's foreign trade policy adjustment has changed from "commodity and factor flow opening" to "institutional opening". Institutional openness emphasizes the international compatibility of rules, standards and management systems, which is the key path to enhance national competitiveness. At the legal system level, the implementation of the Foreign Investment Law and the Negative List of Foreign Investment Access in the FTZ has made China's foreign investment policy more transparent and fairer. These institutional arrangements have also brought China's foreign investment policy in line with international practices. In terms of market opening, China's Pilot Free Trade Zones have formed experience in "decentralization, regulation and service" reform and promoted open innovation in the fields of finance, logistics, and digital trade. Through policy arrangements such as free trade ports and cross-border e-commerce comprehensive pilot zones, China has realized a multi-dimensional and differentiated open path. At the level of participation in international rules, China actively participates in WTO reform negotiations, promotes the coordinated development of multilateral or regional rules such as RCEP, CPTPP and DEPA, and strengthens its voice in global governance. Institutional opening is not only about market access and investment convenience, but also about rule-making and institutional innovation. Through active integration into the international rules system, China's foreign trade policy has achieved a strategic leap from "integrating into the world" to "leading change," contributing China's Scheme to the diversification and stability of the global economic and trade system.

## **4. IMPACT OF FOREIGN TRADE POLICY EVOLUTION ON INTERNATIONAL TRADE PATTERN**

### **4.1. Reshaping the Pattern of Global Value Chain and Upgrading the Status of China**

The evolution of China's foreign trade policy has promoted the reconstruction of the global value chain pattern. At the beginning of reform and opening up, China became the "world factory" by virtue of its labor force and cost advantages, mainly undertaking assembly and processing links. After joining WTO, the state promotes the extension of industrial chains to the middle and high ends through technology introduction, industrial upgrading and export structure optimization. The rapid rise of electronic information, equipment manufacturing, new energy and other industries has significantly enhanced China's position in the global manufacturing system. Innovation-driven and digital trade policies implemented in recent years have further enhanced the international competitiveness of R&D and branding. At the same time, the Belt and Road Initiative and the construction of free trade zones have driven the cross-regional layout of industrial chains and promoted the rebalancing of global production networks. China has gradually transformed from a value chain participant to an important force in institutional innovation and standard-setting, and the global value chain pattern presents new characteristics of more openness, cooperation and multipolarization.

## **4.2. Reconstruction of Regional Trade Pattern and Deepening of Cooperation**

The opening-up orientation of China's foreign trade policy promotes the reconstruction of regional trade pattern and deepening of cooperation. Since China-ASEAN Free Trade Area (CAFTA) was fully launched, regional trade volume has continued to grow rapidly, and China has become ASEAN's largest trading partner for many consecutive years. With the entry into force of the Regional Comprehensive Economic Partnership Agreement (RCEP), China has formed a free trade network covering about one third of the world's economic volume with countries in East Asia and the South Pacific. This agreement not only reduces tariff barriers, but also promotes the harmonization of rules of origin, trade in services and investment liberalization. The implementation of the Belt and Road Initiative has further expanded the space for cooperation. Through infrastructure construction and interconnection such as railways, ports and electricity, China has increasingly close trade relations with Central Asia, Europe and Africa. The expansion of free trade pilot zones and free trade ports provides a platform for cross-regional industrial chain coordination and system innovation. China has also actively promoted the coordinated development of South-South cooperation and emerging economies to build a new pattern of open, inclusive and mutually beneficial regional economic cooperation. Generally speaking, China's foreign trade policy has moved from "intra-regional integration" to "interregional linkage", playing an increasingly important leading role in Asia and even the global trade system.

## **4.3. Diversification and Rule Innovation of International Economic and Trade Governance System**

The institutional upgrading of China's foreign trade policy not only optimizes the domestic open structure, but also promotes the diversification and rule innovation of the global economic and trade governance system. For a long time, the multilateral trading system with WTO as its core has lagged behind in dealing with new issues such as digital economy, green trade and investment security. In the face of the complexity of global governance, China actively advocates multilateral cooperation and institutional innovation through flexible adjustment of foreign trade policy. At the institutional level, China has promoted the integration of policies such as the Foreign Investment Law, the Regulations on Optimization of Business Environment and the Digital Trade Development Plan with international rules, thus establishing a legal, transparent and predictable market environment; at the international level, China actively participates in the negotiation of high-standard agreements such as RCEP, CPTPP and DEPA, promoting the formation of consensus on digital economy, intellectual property protection and sustainable trade standards. China has put forward the concepts of "Global Development Initiative" and "Digital Silk Road" and is committed to promoting the construction of an open, balanced and inclusive new global trade order. This strategic shift from "commodity-flow-based openness" to "institution-based openness" has transformed China from a "participant" in the international economic and trade system to a "rule-shaper." This not only enhances China's international discourse power but also injects new vitality and direction into the global economic and trade governance system.

## **5. CONCLUDING REMARKS**

The evolution of China's foreign trade policy reflects the deep transformation from quantitative expansion to quality improvement, from factor-driven to institutional innovation. Through continuous improvement of the open system, China has achieved a leap in its position in the global value chain, regional cooperation and economic and trade governance system, showing a historical transformation from "follower" to "leader." Facing the future, China should continue to deepen institutional opening, promote trade structure optimization and rule innovation, and contribute to a more inclusive and sustainable "China Plan" in building an open world economy.

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