CP global insight

where does the PRC fit in the new logic of global trade?

September 2025

Under pressure of US disdain for multilateral trade norms—global trade is showing signs of breaking into blocs. Beijing is responding with unilateral moves, both opening and closing.

It has rolled out a sanctions and export-control regime for 'dual use' goods and strategic tech, and passed trade laws with extraterritorial scope, learning from the US model. First conceived as defensive, those laws provide a basis for Beijing's recent, more assertive move to impose export licensing on rare earths, which can be used to divide friends from foes in the trade sphere.

At the same time, under the slogan of 'unilateral opening-up,' it is making moves that expand Beijing's circle of like-minded partners, including visa-free travel and lowering restrictions on foreign direct investment.

Beijing updated its trade strategy at the Party's Third Plenum in 2024, setting a long-term vision toward 2035. The WTO is less relevant as exports become digital and states embrace industrial policy and view trade through a security lens- but the Plenum decided to support the WTO as much as possible.

The PRC doesn't see itself as having the kind of trade and financial dominance that would allow it to set a global trade order or 'Bretton Woods II'.

Instead, it is hedging WTO support by pushing for bilateral and regional trade deals. The strategy is dual-track: align with global rules where interests converge, while also proposing PRC institutional solutions. Not overcommitting to a single model gives Beijing flexibility, but this comes at the cost of coherence in global trade governance and can erode trust among international partners.

Trade deals are an important element in what the Plenum called 'institutional openness'. This is about Beijing using trade agreements to pressure obstructive local governments to push forward domestic reforms to make its economy more efficient, innovation-driven and low-carbon.

'High quality' (standards, IP ESG, labour) trade deals could constrain local subsidies, favouritism in procurement, and remove barriers in service sectors. This approach opens the door to dialogue with trading partners who share these priorities and want greater access to PRC markets.

Beijing advocates what it dubs 'open trade' while it eschews 'free trade.' The distinction is critical: 'open trade' is about orderly flow of resources with state guidance and, while it shields itself from security and environmental risk, Beijing is looking for partners who align with its development goals.

CP Global Insight Briefs explore trends in PRC industrial policy.

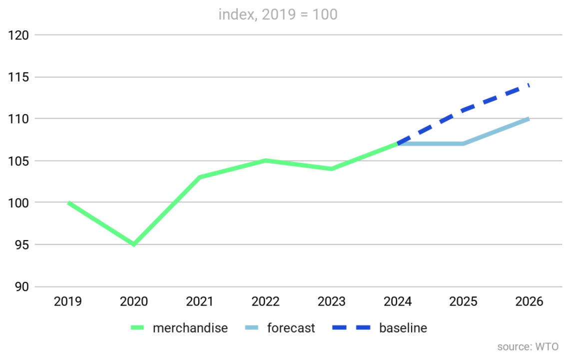
This brief explains

- how global trade is changing
- how the PRC understands that change
- how it plans to shape it in the future

changing trade landscape

Despite talk about the end of globalisation, the world is trading more goods than ever. Global merchandise trade volumes in 2024 were about 7 percent higher than in 2019, according to the WTO.

World merchandise trade volume



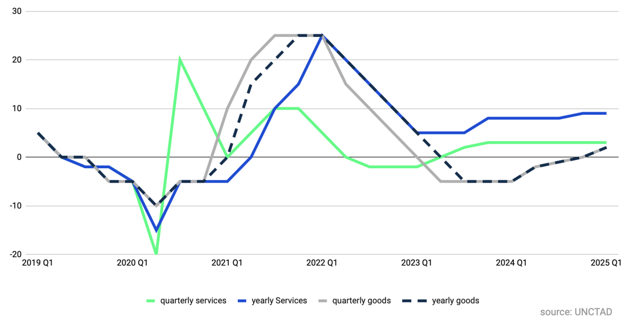
The bulk of export volume growth in recent years has come from the developing world, with Asia and South America seeing the fastest rise. For imports, the Middle East has grown the fastest of any region.

Europe, hit by energy shocks and weak consumption, stands out as a trade laggard, with exports and import volumes below pre-pandemic levels in 2024.

Global services trade has been growing at twice the pace of goods trade since the global financial crisis. Services as a share of global trade rose from 20 percent in 2010 to 26 percent in 2023. The trend has been even more pronounced for advanced economies: services made up nearly a third of advanced economy exports in 2023, according to the IMF.

Global services trade grew 9 percent in 2024, up $700 billion. Trade in goods grew 2 percent, contributing $500 billion, according to UNCTAD.

annual and quarterly growth in value of trade in goods and services, 2019 Q1—2025 Q1



Since the US launched tariffs against China in 2018 and Russia invaded Ukraine in 2022, there are growing signs of trade fragmentation.

The move to protectionism is not limited to the US. Many Western governments have changed their view of trade. Where they previously emphasised gains from cheaper goods, now greater weight is on impacts on domestic industry. As the PRC climbs further up the tech ladder, its advance increasingly challenges long-held US and European dominance in critical sectors, intensifying strategic competition.

Since 2022, trade between blocs of countries with differing political views—identified by their voting patterns in the United Nations General Assembly—has grown 4 percent more slowly than trade among countries within the same bloc, according to the WTO. However, it finds 'no clear evidence of a broader shift toward regionalisation or near-shoring'. FDI fragmentation is happening faster, which should drive trade patterns in the longer term.

Modern trade is about more than goods. It involves the movement of ideas, technologies, and data. Failing to resolve rules that govern the flow of these, the 'free trade paradigm'—hitherto cornerstone of the WTO—is under mounting strain.

Global trade patterns will be further altered by sweeping and frequently changing US tariffs against nearly all its major trade partners since April. Economists see a shock to global trade as US imports fall toward the end of the year. The World Bank has cut its forecast for 2025 global trade growth in half.

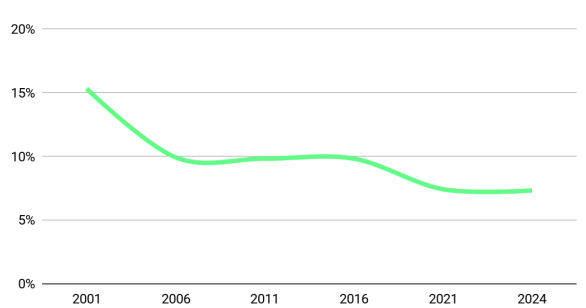
evolution of PRC trade

post-WTO

PRC economic growth was export-led during the early 2000s. Following WTO entrance in 2001, the PRC became a manufacturing superpower through what it calls 'production factor-based opening' (要素流动型开放). Lower tariffs and record amounts of foreign investment created a winning combination of foreign capital and expertise, coupled with a vast labour pool.

China overtook Germany as the world's largest exporter and second-largest importer in 2009, overtaking the US in total trade in 2012.

average PRC tariffs (%)



source: Ministry of Finance

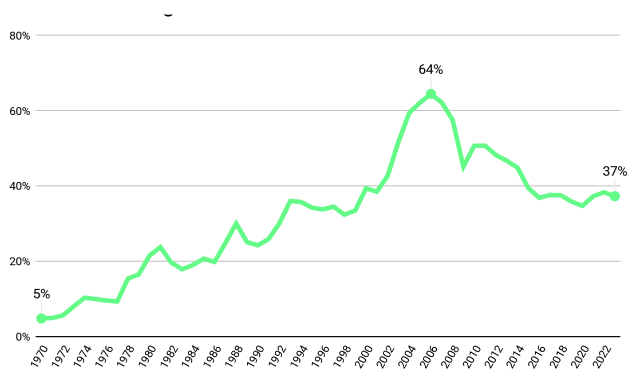
post-GFC

In the wake of the financial crisis, Beijing pivoted to domestic investment as the main growth driver, particularly real estate and infrastructure, cementing the PRC role as the world's top importer of raw commodities. That boosted incomes and consumption, especially of agricultural imports.

GDP grew faster than trade, meaning trade dependence (the proportion of total imports and exports to GDP) has nearly halved since 2006.

Towards the end of the 2010s, its current account, the broadest measure of trade, was moving towards balance, as the goods surplus shrank and Chinese outbound tourism surged.

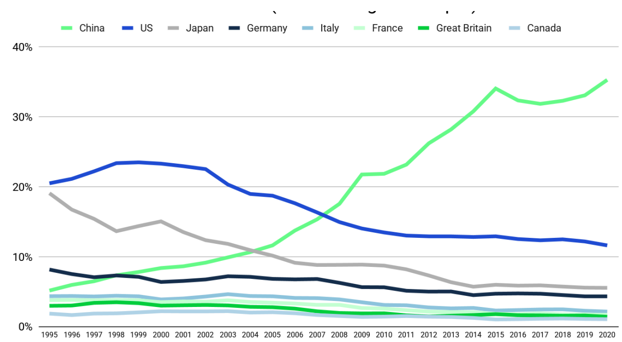
PRC trade in goods and services as share of GDP



source: World Bank and OECD (2025)

During this period, the PRC started taking up a bigger role in the 'middle-range' of the technology value chain, while domestic companies started accounting for the majority of exports. The share of foreign companies in PRC total trade volume fell from 55 percent in 2008 to below 30 percent by 2024.

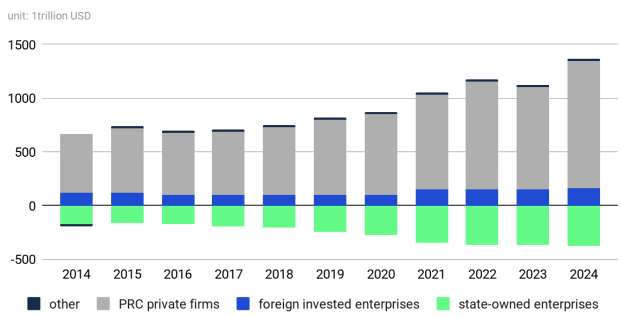
manufactures (% of world gross output)



source: OECD Tiva 2023, PROD

Millions of private PRC firms drive trade, while state-owned companies lag far behind. That means a lot of what happens is out of the direct control of policymakers in Beijing. The global success of PRC mobile apps, in ecommerce, video sharing and gaming, was not planned from the top, although Beijing has later embraced these wins.

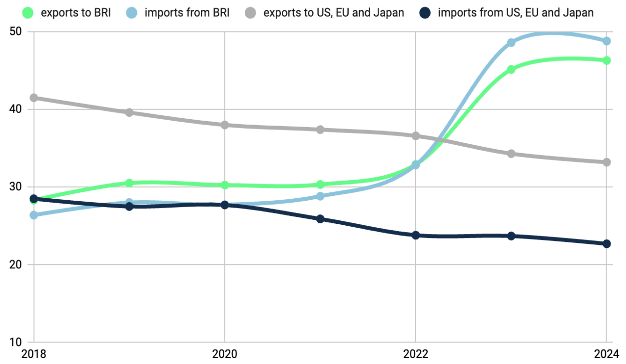
2014–24 net contribution of different types of firms to China's trade surplus



The large presence of SOEs in imports of raw commodities and food can provide strategic leverage, used in the post-2018 trade war with the US.

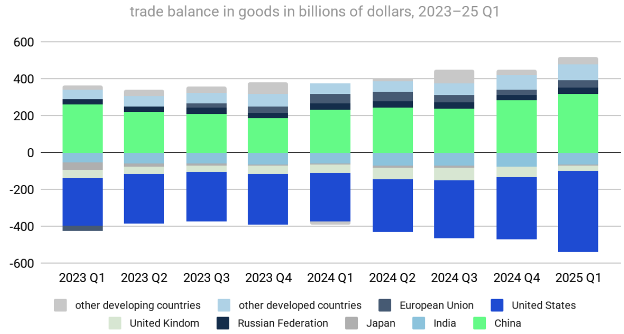
PRC trade has become more anchored in developing countries, particularly those in ASEAN. Since 2018, the US share of total PRC trade has fallen from roughly 14 to 11 percent, while ASEAN rose to 16 percent. Trade with Belt and Road Initiative (BRI) partners has surged from 27 to 50 percent.

PRC trades more with BRI than US, EU and Japan (% of total)



source: National Bureau of Statistics, General Administration of Customs

global trade imbalances widened in 2025



post-2020

Beijing's ability to keep production going, when factories elsewhere often shut down and as global consumers shifted spending from services to goods, boosted its global goods export share to a record 21 percent.

Policymakers laud the 'greening' of PRC exports. Exports of the 'new three' goods (electric vehicles, batteries and solar panels) exceeded 1 trillion yuan in 2023 and have continued to grow rapidly.

A real-estate contraction from 2021 and weak household confidence following 2022's lockdowns led to sluggish domestic demand, boosting the net export share of growth to levels unseen since the 2000s.

Enlarged post-2021 PRC trade surpluses have several key drivers, according to Lu Feng, 卢锋 Peking University National School of Development

- pandemic responses: US and Europe offering large household stimulus, while Beijing's support focused on firms
- inflation provoked the US and EU to raise interest rates, strengthening their currencies
- manufacturing sector tech breakthroughs which have led to greater competitiveness and reduced imports
- property market correction reduced domestic demand and household confidence
- state spending is weighted towards investment, rather than social services

In 2024, Beijing reported a nearly $1 trillion trade surplus—'frontloading' to get ahead of US tariffs led to a $586 billion surplus in the first half of this year.

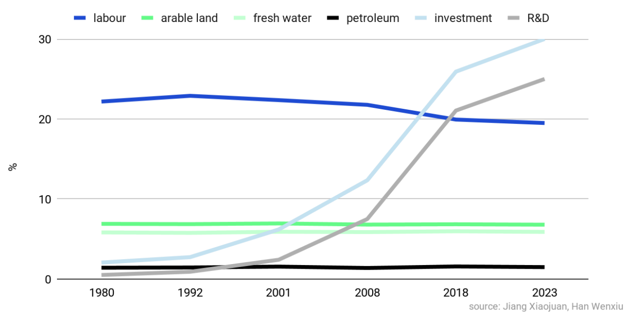
China is growing rapidly as an exporter of 'intermediate goods', used in other countries' own production. It is more embedded in global value chains, shaping production networks, with major multiplier effects. China now helps orchestrate these transnational linkages, with a rapid rise in PRC greenfield investment overseas since 2022.

how Beijing sees the change

China has reasons to see itself as in a position of strength. It is no longer merely the 'world's factory' competing on low costs. Over two decades, it has become a major investor and innovator and a shaper of the global trading order. It outspends the EU in R&D and leads the world in green technology research.

It has become a huge market (imports close to $2tn in 2024) and a much more domestically demand-centred economy, as seen by the falling ratio of trade to GDP.

PRC share of global totals



In official plans, the PRC is currently making a transition from being a 'large trading nation', a matter of volume and range of trade, to being a 'strong trading nation' (with the US as the obvious example).

'Strong trading nation' status means China's position in the global value-chain 'must develop from the middle and low-end to the middle and high-end,' with the PRC developing its own brands and technology, according to Wei Jianguo 魏建国 of the China Centre for International Economic Exchanges.

The transition is also about having 'influence on the formulation of global rules, and even leading in formulating international economic and trade rules,' says Li Dawei 李大伟 of the NDRC Academy of Macroeconomics.

Chinese experts also see a 'strong' trading nation as using its large domestic consumer market as an anchor for global growth and influence. For Zhang Yansheng 张燕生 of the Academy of Macroeconomic Research, the transition is about moving to balanced trade fueled by domestic demand.

But Beijing sees progress as far from complete. Export goods are still too low-end, rulemaking influence is limited, and the innovation and the appeal of the domestic market lag the US. Zhang doesn't see China becoming a full trade power until after 2050.

In finance, Beijing has no illusions that the renminbi can supplant the dollar. Central bank chief Pan Gongsheng 潘功胜 explained Beijing's position in June: the RMB is expected to play a stronger role in global finance, but as one of several currencies competing with the US dollar, which is expected to dominate.

This explains why Beijing does not plan to create a trade and financial order as the US did following WWII.

surpluses

China's current 5-year plan (ending this year) calls for 'basic equilibrium' in its balance of international payments', meaning a current account 'without prolonged periods of excessive surpluses or deficits' (defined as plus or minus 4 percent of GDP) according to State Administration of Foreign Exchange official Jia Ning 贾宁.

Despite Xi Jinping's high-profile endorsement of China's annual Import Expo, import promotion lags behind other priorities in importance, resulting in trade surpluses when domestic demand weakens.

Industrial policy is a structural driver. China changed from a net importer to net exporter of autos in 2021. The shift happened in 2023 for chemicals.

Beijing sees recent levels of export reliance, with net exports generating nearly a third of 2024 growth, as creating vulnerability to external politics.

Anticipating Trump's second term, the economic policy direction in late 2024 turned much more supportive of domestic demand. Consumption was named as the economic priority for 2025 - a first.

A consumer goods subsidy scheme has boosted retail sales, and efforts are moving to services. Policies large enough to sustainably boost the growth rate of consumption are a work in progress, likely part of the 5-year plan released next year.

Recognising the inability of some Global South states to absorb PRC production, Zhai Dongsheng 翟东升 of Renmin University of China, argues for development lending to boost their growth, similar to former central bank advisor Huang Yiping's 黄益平 proposal for a 'Green Marshall Plan' of lending to finance renewable energy in developing countries.

learning from trade war

The PRC trade surplus in theory, gives the upper hand to other countries in trade disputes. The first Trump administration's trade war was a test of this.

In Beijing's view, they weathered the storm quite effectively. Tit-for-tat tariffs helped bring Washington to the table, while a combination of deepening trade ties with Asia and Latin America, domestic companies transitioning up the value chain, and some currency depreciation meant Chinese exports remained stable.

Beijing was more concerned about the 'tech war' started under Trump and intensified under Biden, seen as a threat to long-term growth. As a defensive measure, Beijing is prioritising its independent innovation capacity to reduce dependency on tech and components.

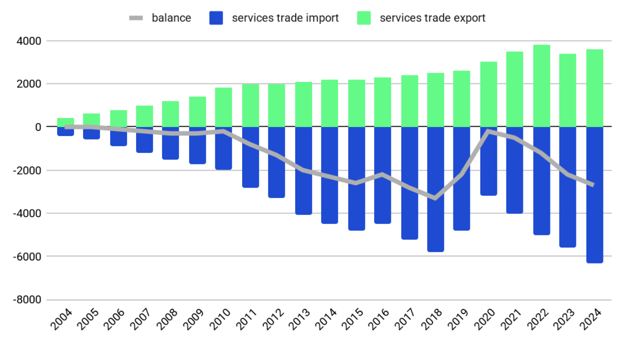
The tech war has become an experimental lab for Beijing, allowing it to test a range of tools from export controls to sanctions, import substitution and competition reviews as leverage in trade disputes.

The thinking in Beijing is that if other countries have leverage through demand, its leverage through cutting off supply is potentially more effective.

modern trade

Beijing sees digital services as a core element of future trade growth and is unhappy with its progress. The country still imports nearly twice as many services as it exports and lags the US on digital services.

services trade export, services trade import and balance



source: SAFE

Digital trade will be the fastest growing area for the PRC in the next five years, believes Wei Jianguo 魏建国. PRC The country's cross-border e-commerce platform giants will be a platform for that growth, he adds.

PRC trade minister Wang Wentao (王文涛) in 2024 outlined near-term priorities as:

- upgrading trade in goods (towards higher value-added products), expanding trade in intermediate products and cross-border e-commerce exports
- expanding imports of high-quality consumer goods and energy, and resource products

who makes trade policy?

The Communist Party's Politburo and its CFEAC (Central Financial and Economic Affairs Commission), and State Council set strategic direction. Since 2023, He Lifeng 何立峰 (Vice Premier and Head of the CFEAC Office) has overseen this work, with Han Wenxiu 韩文秀 managing daily operations.

MOFCOM (Ministry of Commerce) is the primary agency for foreign trade. It leads bilateral and multilateral negotiations, drafts trade-related policies, manages foreign investment inflows, and promotes domestic market development. It also oversees export controls and trade remedies. Its market regulations duties were transferred to the new SAMR (State Administration of Market Regulations) in 2018.

NDRC (National Development and Reform Commission) co-drafts foreign investment negative lists with MOFCOM, approves sensitive foreign-invested projects, and manages the Belt and Road Construction Leading Group. NDRC's Economic and Trade Department monitors trends and proposes policies.

Other agencies are involved in trade policy:

- MoFA (Ministry of Foreign Affairs) and Ministry of State Security manage international relations and assess national interests and security risks
- PBOC (People's Bank of China) and State Administration of Foreign Exchange (SAFE) manage capital account liberalisation, cross-border payments, and RMB internationalisation
- MOF (Ministry of Finance) manages public procurement policies and tax-related trade instruments.
- GAC (General Administration of Customs) oversees trade compliance, tariff enforcement, and border inspections
- MIIT (Ministry of Industry and Information Technology) and Cyberspace Administration of China (CAC) regulate technology standards, digital trade, and cybersecurity protocols
- CNIPA (National Intellectual Property Administration) sets IP protection rules
- MARA (Ministry of Agriculture and Rural Affairs) influences agricultural trade and food safety standards
- Local governments draft and enforce region-specific trade regulations and industrial strategies. Special zones are authorised to suggest and pilot new trade institutions.

long-term vision

Beijing's long-term approach to trade was stated in a 2024 Party resolution generally known as the 'Third Plenum decision'. The decision states general approaches through a series of themes, with more concrete plans to be developed.

Four stand-out themes from the Plenum decision will be explained below

- improved export controls and trade remedies
- unilateral opening
- institutional opening
- support for the WTO

export controls and sanctions

While Beijing has long used trade retaliation as a policy tool, in the past five years, it has launched sanctions, retaliation, trade remedy and export control regimes through new domestic legislation

- An unreliable entity list under the *Foreign Trade Law* (2019)
- *Export Control Law* (2020)
- *Anti-Foreign Sanctions Law* (2021)
- *Tariff Law* (2024)
- *Anti-monopoly Law* (2022); Anti-Unfair
- *Competition Law* revision (2025)

These moves reflect the growing focus at all levels of government on 'national security', marked by the passing of a *National Security Law* in 2015. Beijing sees development and security as interlinked—threats to development are seen as threats to security.

The regime began as a defensive move against US restrictions on technology (sanctions on Huawei 2018, followed by semiconductor export bans 2022). Timing of actions suggested clear reactions to US moves.

That has changed this year with the imposition of export controls on rare earth products, an asymmetric move in response to US tariffs, which also impacted Europe and Asia.

The move from defence to proactive offence reflects Beijing's growing capacity and confidence to impose rules on trading partners, use goods as bargaining chips in geopolitical negotiations, and potentially divide 'friends' from 'foes' in the trade sphere.

The new regime raises compliance costs for businesses. But partners the PRC sees as 'reliable' can see those costs lowered with eased approvals.

Companies need to be aware that many of these laws have extra-territorial implications. Details are in Appendix 1 (p 13).

sanctions

Beijing's FTL *(Foreign Trade Law)* dates from the 1990s and was most recently updated in 2022.

In 2019, the PRC launched the US-style UEL (Unreliable Entity List) under the FTL to exert pressure on individual firms. Placement on the list can lead to bans on trade, investment and personnel entry to the PRC. US military firms were first placed on the list in 2023, with little impact as they do not trade with the PRC.

Use against groups with business in China as leverage in talks with the US began this year. PVH Group and Illumina, Inc. were added to the list in February 2025 in a tit-for-tat response to Washington's sanctioning of PRC cotton and biotech companies.

In March 2025, MOFCOM imposed groundbreaking retaliation against Canada's 100 percent tariffs on PRC electric vehicles, bypassing the WTO and directly levying an equal tariff on Canadian agricultural goods. Initiated under the FTL, the move marked a major legal development, a shift from complying under WTO protocols to taking proactive countermeasures.

The AFSL *(Anti-Foreign Sanctions Law),* enacted in 2021 with detailed rules released in 2025, empowers Beijing through its Foreign Ministry to impose countermeasures, including asset freezes and trade and investment restrictions on foreign entities and individuals. Overseas activities deemed to endanger PRC sovereignty, security, or development interests can be grounds for inclusion.

A *Tariff Law* was passed in late April 2024, giving the State Council a legal foundation for 'reciprocity principles,' meaning that Beijing can hit back with tariffs during a trade war.

Apart from these Laws, being mostly enforced by MOFCOM, SAMR (State Administration for Market Regulation) has extended its reach. The 2022 revision of the *Anti-Monopoly Law* affirms that foreign companies, agreements, and transactions conducted outside can be investigated or blocked if they harm competition within the PRC. A similar scope is written into the 2025 *Anti-Unfair Competition Law* that will come into effect in 2026.

Beijing's export controls

China's FTL created a basis for export controls, initially aimed at controlling the export of weapons-related technology. A Catalogue of Technologies Prohibited or Restricted from Export is jointly updated by MOFCOM and MOST (Ministry of Science and Technology).

After 12 years without change, the list was substantially updated in 2020 and further changed in 2023 and 2025. Updates include technologies in agriculture, electronics, instrument and vehicle manufacturing, in areas where PRC firms have technological leadership. For example, in July, battery cathode material preparation technology was added.

An *Export Control Law,* passed in 2020 to target goods with potentially military as well as civilian uses (dual-use), contains a catch-all clause covering goods 'relating to national security and national interests.' It gives the State Council and the Central Military Commission ultimate control over export approvals.

The law applies to an *Export Control List of Dual Use Goods* updated by MOFCOM and GAC. Exports of goods on this list require a license. MOFCOM is responsible for processing license applications, with companies stating the end-user of the goods.

Beijing first applied the law in 2023, placing gallium and germanium items on the export control list, a move widely seen as a response to US restrictions on chip exports. Exports of those goods nearly halted for several months before recovering.

A week after Washington announced tighter chip export controls in 2023, MOFCOM announced new dual-use controls on graphite products. Antimony was added in 2024.

Alongside penalties for violators, the law introduced extraterritoriality. Further guidance in 2024 states jurisdiction over dual-use items manufactured abroad that contain PRC-origin technologies. This is effectively a version of the US Foreign Direct Product Rule, which allowed Washington to control exports of Dutch lithography machines.

Also in 2024, Beijing issued a Control List, similar to the US entity list (where leading Chinese firms like Huawei and SMIC were placed), with any exports to companies on the list requiring MOFCOM approval.

In December 2024, MOFCOM announced a complete ban on exports of gallium, germanium, antimony, and 'superhard' materials to the US. In February 2025, five minerals were added to the dual-use list.

In April 2025, export controls moved from a tit-for-tat response to export controls to proactive leverage after the Trump administration imposed tariffs. Seven rare earths and their products, widely used in the automotive, aviation and medical industries, were added. The controls apply not just to materials but also to intermediate goods such as magnets.

Export controls on rare earth goods were long talked about as Beijing's 'Trump card' in trade disputes. Its willingness to deploy them early in the second Trump administration is an assertive move comparable to the US sanctioning of ZTE and Huawei in 2018–19. It suggests confidence in its control regime and a taste for brinkmanship.

Lack of licensing approvals from MOFCOM impacted companies in the US, pushing Washington and Beijing towards a deal. The controls also seriously impacted firms in East Asia and Europe, but there is no prospect of a near-term alternative to China for the goods.

Trump 2.0

Beijing views Trump as emboldened, impatient to subvert the global economic and trade order in a way that more directly favours the US.

Tariffs are threatened on all PRC exports, and at higher rates. Beijing has responded with a mix of tit-for-tat tariffs and asymmetric deployment of export controls and sanctions aimed at US companies.

Beijing launched an anti-monopoly investigation against Google in February 2025, suspended imports of US logs and soybeans (citing phytosanitary concerns), and put deals over TikTok and Chinese port investments, as well as new Chinese FDI into the US, on hold.

As the PRC became the first major economy to respond in kind to Trump's tariff threats, domestic commentary struck a proud nationalist tone, with Beijing presented as 'leading by example'.

The dollar has weakened since the start of the trade war, and PRC advisers fear the United States could potentially exploit the dominance of the US dollar in global trade by pursuing devaluation —a move that risks triggering global monetary turbulence reminiscent of the shocks in 1971 and 1985.

China has made strides in expanding RMB use in its trade. Now, about a third of trade is settled in RMB, but it remains dependent on the dollar system.

Reports that the US is pressuring other economies to raise their own tariffs on PRC goods mark a difference from the first Trump administration. The PRC is likely to use its toolbox of export and investment restrictions to try to deter third countries from following. Promises of FDI from PRC firms can also be an inducement to resist US demands.

The Politburo meeting in April called for support for firms investing overseas. Advisers call for better funding for intermediary firms to 'go global' and encourage banks to step up overseas services.

Beijing recognises that accelerating the internationalisation of its economy is in its interest to enhance resilience and shape global rules and governance. US decoupling will prompt PRC recoupling with the world, predicts Zhang Yansheng 张燕.

Beijing should aim to globalise supply chains, making it difficult for the US to achieve thorough decoupling,' says Tu Xingquan 屠新泉, China Institute for WTO Studies.

Conventional globalisation is centred on the 'dollar in exchange for manufactured goods' model, whereby the US exports credit and imports manufactured goods from the world (with the PRC playing a pivotal role). But this model is now challenged following massive US debt, intensifying trade restrictions and rising concern over the weaponisation of the dollar, declares Song Guoyou 宋国友 Fudan University American Studies Centre, pointing to a paradigm of 'manufactured goods in exchange for resources and raw materials' now underway in the Global South. By opening up voluntarily to developing partners and attracting more of their resources, Beijing hopes to ramp up this alternative circulation, diversifying US reliance.

unilateral moves

Beijing understands that its ability to strike high-quality trade deals will hinge on its bringing in rules-based reforms at home. The Plenum decision calls for 'unilaterally opening our doors wider to the world's least developed countries'. The 2025 Central Economic Work Conference stepped this up to 'orderly, autonomous and unilateral opening'. Unilateral opening (单边开放) signifies a shift towards using domestic reforms to strengthen global credibility, where opening can be seen as in Beijing's interest.

Beijing is adopting a selective, proactive form of unilateralism. This includes initiatives such as a 'unilateral visa-free policy' extended to 47 countries, including most European nations, most recently adding Brazil, Argentina, Chile, Peru, Uruguay, Saudi Arabia, Oman, Kuwait, and Bahrain. This addresses de-globalisation trends, notes Liu Yuanchun 刘元春 Shanghai University of Finance and Economics president. Countries with political tensions with Beijing —such as the UK and Czechia—have not been included. Interestingly, Russia is also currently excluded.

In June, Beijing announced zero tariffs on all imports from 53 African countries, up from 20 previously. It imports raw commodities from most of those countries, and has a manufacturing trade surplus with them.

Tu Xinquan 屠新泉 includes reductions in negative lists for foreign investment market access and cross-border services trade as examples of unilateral opening. These moves lay the foundation for the PRC to make similar pledges in international agreements, he adds.

From the mid-twentieth century to the financial crisis, trade was shaped by lowering tariffs through the GATT and WTO, and a most-favoured-nation reciprocal principle under the guidance of the United States. Reciprocity, in theory, reflects fairness among sovereign states.

Zheng Yongnian 郑永难, a politburo advisor, argues true reciprocity is rarely achievable in practice due to fundamental asymmetries in geography, development, and state capacity. PRC policymakers, he suggests, have sometimes adhered too rigidly to idealised models of reciprocity, at the expense of pragmatic alternatives.

Zheng notes that historically, major powers like the UK practised unilateral opening, and the US, while advocating reciprocity, has often unilaterally opened in areas vital to its interests, particularly in attracting talent, businesses, and finance.

Zheng argues Beijing has to turn to unilateral opening also to attract international capital, talent, and technology. He calls for 'Precision unilateral opening' (精准单边开放) in highly-specific areas.

The justification for 'unilateral opening' is also rooted in the 'strong trading nation' concept of using a large domestic market to win friends. Through 'unilateral opening' measures like broadening imports and market access with allies, Beijing hopes to incentivise more cooperation and spur investment from partners and to correct some trade imbalance in the process.

It will be a lengthy process. The 'steady', 'rational' opening foreshadowed by the Third Plenum implies that protecting domestic industry remains an imperative. Its economic system, the CPC's 'Two Unwaverings' (strengthening the role of state-owned capital and private enterprises) are fixed bases of rationality.

Opening has limits. 'Except for a few large developing countries (such as India and Brazil), Beijing can roll out unilateral opening to other developing countries,' says Song Hong 宋泓, of the Chinese Academy of Social Sciences.

To avoid the problems of 'industry loss faced by the United States and other Western countries,' Beijing should 'appropriately control the pace, and avoid going too fast,' he adds.

While implementation may need to be smoother, the game plan of 'unilateral opening' is here to stay.

Economists are seeing how far they can push the idea. Robin Xing 邢自强 Morgan Stanley China chief economist, argued prominently in domestic media this year for a 'three zero' approach: Beijing should reduce tariffs on all countries except the US to zero in the next five years, reduce restrictions on foreign direct investment and investment access for China's own private enterprises to zero, and reduce subsidies to China's own industries to zero.

Mei Xinyu 梅新育 Chinese Academy of International Trade and Economic Cooperation, dismisses the strategy as 'infeasible and wrong', citing blowback on fiscal revenue, diplomatic and macroeconomic levers and customs security. The PRC needs more incremental and targeted measures like bolstering special zones, he argues.

institutional opening

Trade fragmentation, great power politics and a sharp slowdown in overseas FDI into China have prompted Beijing to rethink its approach to global trade.

At the heart of this response is a move from the previous 'production factor-based opening' to a concept known as 'institutional opening' (*zhìdùxíng kāifàng* 制度型开放). The idea answers the longstanding challenge for WTO: to move beyond tariff reduction and tackle non-tariff barriers and emerging technologies and services.

Xi Jinping first pledged 'institutional opening' in 2017. The most concrete move was the NDRC publication of an FDI 'negative list' in 2018, with 151 areas banned or requiring approval, and all other areas fully liberalised. The number of items on the list was regularly reduced, down to 106 in 2025. All manufacturing areas were removed from the list by 2024, including the elimination of a JV requirement for auto manufacturing. Free Trade Zones have shorter lists.

Clearly, Beijing waited to liberalise sectors until its own firms were competitive, notably in autos. But foreign auto firms took advantage by buying out their partners.

The Plenum Decision gave it top billing—aligned with the goal of a 'high-level open economy' (高水平开放型经济新体制).

Institutional opening builds on the legacy of 'Reform and Opening' (改革开放), the economic transformation launched in 1979.

While that era prioritised export-led growth, the current strategy is about leveraging trade to improve domestic markets and enhance internal efficiency.

This entails

- recasting domestic laws and regulations to align with international standards embodied in existing trade deals such as CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership).
- experimentation in free trade zones
- making further 'high quality' bilateral and regional trade deals, with Beijing having a say in writing the rules

There's also a resonance with WTO accession, which led to the revision of more than 2000 domestic laws and regulations. Once again, Beijing wants to use external rules to break difficult domestic deadlocks.

An important dynamic in this process is the tension between Beijing and local governments.

Beijing wants to centralise and rationalise industrial policy, and sees local governments' provision of cheap land and tax breaks and protectionism of local firms as a serious problem preventing China's technological development. Trade deals are a tool in this politics.

The Third Plenum document urges alignment with high international trade and economic standards relating to property rights, industrial subsidies, environmental standards, labour protection, government procurement, e-commerce and the financial sector. A full list of areas where Beijing is pushing alignment with overseas standards is at Appendix 2 (p 15).

Beijing looks to 'high-standard trade agreements' such as CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership), which has a chapter on state-owned enterprises, and DEPA (Digital Economy Partnership Agreement). The *Tariff Law* aims to enforce the stringent customs and trade facilitation provisions of the CPTPP.

This does not mean aligning with agreements as they are interpreted by other partners. Beijing has applied to join the WTO Government Procurement Agreement multiple times, most recently in 2019 with expanded offers, but opening steps were judged insufficient by the US and EU (for instance, disagreement about whether SOE procurement is included). When PRC experts call for alignment with the Agreement, they mean to an extent decided by the PRC.

In a sign of differing principles, Beijing in 2024 issued draft regulations clarifying that its 'made in China' requirements on procurement also apply to foreign companies manufacturing in the PRC, signalling it will stick with such requirements.

This approach includes upgrading existing agreements - a revised agreement with Peru in 2024 is an example. Near-term aims are to upgrade agreements with Switzerland, ASEAN, and South Korea and longer-term aims include a China-Gulf Cooperation Council free trade agreement and a China-Japan-South Korea trade agreement.

This deployment of external commitments allows Beijing to frame these reforms not as concessions to foreign pressure, but as steps for achieving its long-term goals of 'high-quality development' and 'socialist modernisation'. This represents controlled liberalisation, where the state maintains firm guidance, ensuring reforms align with national interests and security.

Regional Comprehensive Economic Partnership (RCEP)

RCEP, which entered into force in 2022 for most signatories, is the world's largest free trade agreement by economic size and population, covering

- 15 countries: the ten ASEAN members, China, Japan, South Korea, Australia, and New Zealand
- about 30 percent of global GDP and 30 percent of the world's population

RCEP advances beyond WTO commitments on services, investment, and digital trade. It also simplifies rules of origin, promoting supply chain integration across Asia-Pacific economies.

However, set against the more demanding CPTPP, RCEP has notable limitations

- lacks binding provisions on labour rights, environmental protection, and sustainable development
- digital trade rules are relatively modest, offering limited commitments on cross-border data flows, data localisation, or source code protection
- lacks binding disciplines on state-owned enterprises (SOEs) to ensure competitive neutrality
- Does not require members to open their government procurement markets
- trade in services commitments are less comprehensive, with numerous reservations and sectoral exclusions, particularly in finance, telecommunications, and professional services
- RCEP's dispute settlement mechanism does not apply to all chapters, such as those on competition policy and e-commerce, limiting its enforceability in critical areas

FTZs test opening moves

Much ‘exploration’ will go into working out rules and protocols that align with Beijing’s interests. Such exploration is happening in 22 FTZs, which now represent about a fifth of PRC foreign trade and investment.

These FTZs are an upgrade of the Special Economic Zones (SEZs) launched in 1980 to attract foreign direct investment, boost exports, and drive industrialisation in specially designed zones of key hubs.

Unlike SEZs, which provided physical production incentives such as cheap land and tax reductions, FTZs are designed to modernise the PRC regulatory system. Primarily, the FTZs are about streamlining regulation and the multiple approvals companies need to obtain in the PRC.

Future FDI into the PRC needs to focus on high-value services, but it is not sufficiently open to service FDI (this includes producer services, which complement manufacturing). FTZs are designed to facilitate that.

In practice, FTZs do still offer tax incentives. But they go beyond that to offer foreign firms lower investment restrictions, easier capital and data movement, access to talent and more equal access to government procurement and subsidies.

According to MOFCOM, 379 innovations from the FTZs have been replicated and promoted at the national level.

Additionally, July 2025 saw the State Council approve expansion of 77 measures initially tested in the Shanghai FTZ to be completed over the next year, with 43 of these measures slated for nationwide rollout and 34 for extension to other FTZs.

Highlights include easier movement of funds across the border. Additionally, cross-border data flows will be facilitated through the use of graded negative lists. A range of other reforms in trade facilitation, intellectual property protection and government procurement will also be promoted.

who advises on trade policy?

The Chinese Academy of Social Sciences and Shanghai Academy of Social Sciences provide research and policy recommendations on macroeconomic trends, global trade dynamics, and industrial policy, including reports to the party’s annual economic work conference.

The DRC (Development Research Centre), a policy research and advisory body directly under the State Council, was set up to coordinate between technocratic ministries like MOFCOM and political decision-makers in the State Council and Party leadership. It plays a behind-the-scenes role in shaping consensus on trade reforms.

CCIEE (China Centre for International Economic Exchanges), under NDRC influence, provides a platform for retired senior officials to conduct high-level research on international economic trends. It is used as a public-facing arm to communicate elite policy thinking to international audiences.

The Ministry of Commerce has a policy Advisory Committee that provides counsel on all matters related to domestic and foreign trade and investment. The current group was formed in 2021, with 23 members from the DRC, Chinese Academy of Social Sciences, CPC Party School and Peking and Tsinghua Universities. Led by Jiang Xiaojuan 江小涓 University of Chinese Academy of Social Sciences members sit for five years.

WTO support

The plenum plan states clearly that China should ‘safeguard the WTO-centred multilateral trading system’.

The vision is to align with international rules while also gradually proposing more and more PRC-specific solutions. It enables Beijing to either push for reform from within existing frameworks or present alternative models where alignment proves difficult. The key point is to be active in setting trade rules.

With the WTO’s dispute settlement mechanism paralysed by the US, Beijing has joined the EU-led Multi-Party Interim Appeal Arbitration Arrangement (MPIA), a temporary mechanism that replicates key functions of the Appellate Body and allows participating WTO members to continue resolving trade disputes in a rules-based manner. Use of the MPIA includes the advanced economies and the Global South.

The MPIA produced its first award in 2022, ruling against Colombian duties on frozen food from the EU. At least five parties with trade grievances with Beijing have made a notification under the MPIA, including the EU's IPR enforcement dispute with the PRC.

Xi Jinping has adopted a stance he proclaims as 'bold and responsible.' Urging 'genuine multilateralism' (真正的多边主义).

At the heart of the emerging PRC agenda lies a notion first articulated by Mao Zedong in 1946: the idea of a 'middle ground' (中间地带). Initially referring to regions caught between US and Soviet influence, a framework now repurposed for today's multipolar world.

Current readings of this concept extend beyond its original geographical focus. 'Middle ground' now connotes spaces of strategic opportunity among nations seeking autonomy between rival power centres. This motive helps explain Beijing's eager courtship of the global south through initiatives like the BRICS expansion and the BRI (Belt and Road Initiative), which offer an alternative to traditional Western-led development. 'Multipolarity' (多极化) becomes a tool for challenging perceived US hegemony.

Beijing sees a common cause with Global South states in countering protectionism from the US and Europe. But in other areas, Beijing's interests are more aligned with developed economies, like them it is a major outbound investor.

In 2024, the WTO ministerial conference adopted the Investment Facilitation Agreement for Development. It's the first time an investment rule has been included in the WTO, but binding only on its 126 signatories.

Beijing's position aligned with advanced economies more than developing ones; the EU, advanced East Asian economies, Canada and Australia supported the agreement, India, South Africa, and Turkey opposed it, arguing it undermines policy space for development.

digital trade

A range of Beijing-sponsored policy support strives to foster digital trade. Recent highlights include

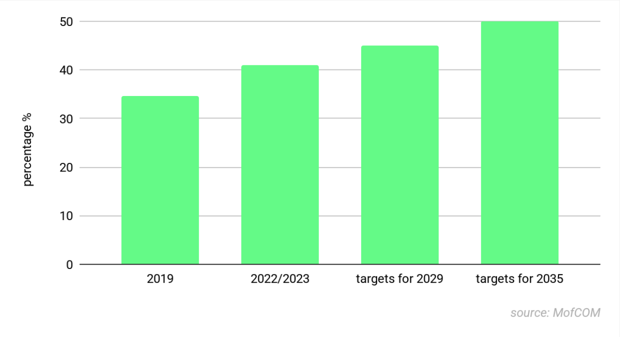
- financial aid, including the central-level guidance fund on services trade, and export credit insurance
- customs facilitation
    - support for cross-border ecommerce (CBEC) return services and relaxing reporting requirements
- pilot zones
    - 130+ CBEC pilot zones and a Silk Road e-commerce pilot zone in Shanghai
    - 'digital services export platforms and cluster zones'
- logistics and warehousing
    - support for CBEC warehouses
- over 33 e-commerce agreements with BRI members
- Support for building data centres overseas

In practice, private actors have more say over digital trade than the government. Alibaba's Electronic World Trade Platform (eWTP) is an example of a private actor setting up a global institution.

The WTO can no longer meet the rules needs brought about by the development of global digital trade,' so regional free trade agreements are more influential, says Zhang Monan 张茉楠, China Centre for International Economic Exchanges.

Zhang advocates the upgrading of RCEP digital trade clauses; in addition, digital trade should be regarded as a key negotiation area for bilateral FTAs. A 'circle of friends' for digital trade can be created among BRI countries, she adds.

% of digitally delivered services in total PRC services trade



takeaways

- As part of its reaction to US pressure, Beijing has put together a toolbox of supply restrictions and other measures for leverage in trade disputes. Now, all major powers are linking trade with politics and security, and negotiations must happen on that basis.
- Beijing wants to strike bilateral and plurilateral deals on trade and investment, but negotiating deals based on 'reciprocity' and 'level playing fields' is unlikely to be taken seriously.
- Beijing is serious about selective opening and using trade deals to push through domestic reforms. Many areas in its vision of modernisation align with overseas interests, and when trade partners' interests can be presented as aligned with Beijing's vision, there is potential for positive outcomes.
- Beijing can be an ally in upholding some version of the WTO as a backstop.

appendix 1

examples of recent PRC laws and regulations with extraterritorial reach		
law/regulations	purpose	Example actions
National Security Law (2015)	The 2015 NSL is cited as the legal foundation for subsequent regulations and laws that have extraterritorial application. For example, the 2021 'Rules on Counteracting Unjustified Extraterritorial Application of Foreign Legislation' (the so-called 'blocking rules') reference the 2015 NSL as their legal authority. Modeled on EU legislation, the rules are designed to counteract foreign laws that Chinese authorities view as overreaching in extraterritorial application to Chinese entities. In theory Chinese courts can issue demands for compensation in Chinese courts for losses incurred from sanctions.	Chinese citizens and firms are required to report to MOFCOM where the Chinese entity 'is prohibited or restricted by foreign legislation and other measures from engaging in normal economic, trade and related activities with a third State (or region) or its citizens, legal persons or other organisations. A White Paper on national security in 2025 lists geopolitical conflicts, supply chain disruption and technological containment as key challenges. It also cites a range of new laws (Counterespionage Law, Foreign Relations Law, Export Control Law) aiming to 'define and prevent foreign interference and safeguard security under open conditions'.
Foreign Trade Law (revised 2022) *Regulations on the Administration of Technology Import and Export (2024)* *Provisions on the unreliable entity list (UEL) (2022)*	It defines the legal framework for how the PRC conducts international trade and outlines the rights and responsibilities of both the government and enterprises engaged in trade. The law allows the state to implement import/export licensing, tariff-rate quotas, anti-dumping, anti-subsidy, and safeguard measures and export controls for national security or public interest. It creates a basis for export controls with a Catalogue of Technologies Prohibited or Restricted from Export is jointly updated by MOFCOM and the Ministry of Science and Technology (MOST)	Dozens of military companies have been added to the UEL since 2022. The most frequent reason for addition has been 'participating in arms sales to Taiwan'. Since 2024, listings are increasingly triggered by non-Taiwan related actions. The technology Catalogue was updated for the fourth time (since 2001) on 15 July 2025. This time it added advanced lithium battery cathode material technologies and lithium extraction technologies.
Export Control Law (2020) *Regulations on Export Control of Dual-Use Items, including a Control List (2024)*	A mix of security and economic aims. Early dual-use control items aimed at limiting PRC companies' facilitation of overseas military development that could threaten China's 'national interest'. 2025 expansion to LFP batteries suggests desire to retain technological advantages; rare earth products suggest use as leverage in geopolitical disputes.	More than 200 items added to Dual-Use list since 2023. Notable additions: 2023 - gallium and germanium and graphite products added to control list 2024 - antimony added to control list, specific ban on gallium, germanium, antimony, and 'superhard material' exports to the US. 2025 - lithium-iron phosphate (LFP) batteries, five strategic metals - tungsten, tellurium, bismuth, indium, and molybdenum, and seven rare earths - Samarium Gadolinium, Terbium, Dysprosium, Lutetium, Scandium, Yttrium, - and their products added to control list US military firms added to control list.

Anti-Foreign Sanctions Law (2021) with detailed rules released in 2025	Legal foundation for sanctions enacted by China previously in retaliation for Western sanctions on China for its policies on Hong Kong and Xinjiang.	14 rounds of countermeasures imposed on mostly US politicians, military firms, and research organisations.
MofCOM measures on blocking improper extraterritorial application of foreign laws and policies (2021)	Overseas activities deemed to endanger PRC sovereignty, security, or development interests can be grounds for inclusion on the countermeasure List.	Has designated 59 foreign entities and 63 individuals. Sanctioned UK parliament members and EU individuals and research organisations in retaliation for Western measures.
Anti-Monopoly Law (2022)	Affirms that foreign companies, agreements, and transactions conducted outside can be investigated or blocked if they harm competition within the PRC.	Beijing launched anti-monopoly investigations against Nvidia in Decemebr 2024 and Google in February 2025
Tariff Law (2024)	Provides a more solid legal foundation to implement counter-tariffs, giving the State Council greater clout in adjusting tariffs or formulating other measures to respond.	Tit-for-tat tariffs imposed against US in 2025.
ODI statistical system (2025)	Under new reporting rules, offshore PRC firms, above all miners of strategic minerals, must report in more depth on their operations, providing Beijing with information on their supply chains.	
Anti-Unfair Competition Law (2025)	Affirms that foreign companies, agreements, and transactions conducted outside can be investigated or blocked if they harm competition within the PRC.	Will take effect on 15 October 2025.

appendix 2

policy area	objective/ action	examples/ progress	challenges/ nuances
Government Procurement	Third plenum vows to 'ensure national treatment for foreign-funded enterprises in terms of access to government procurement'. Align domestic laws with international standards; include public services in procurement law; rationalise procurement/tendering laws.	*The Government Procurement Law was revised in 2023. One of the law's remaining features is its 'buy domestic' policy in Article 10. Unless otherwise specified, domestic suppliers are given preference.* Yet, in line with the revision as well as the *Foreign Investment Law,* MoF called in December 2024 for comment on standards stating that both domestic and foreign-invested enterprises will be eligible for government procurement support. It also suggests giving these 'domestic products' 20% price review discount to enhance the competitiveness of PRC manufacturing. If China joins the WTO's Government Procurement Agreement (GPA) or the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in the future, it will grant exemptions to products from participating countries in accordance with those agreements. State purchase of public services (as well as goods) should be included in the *Government Procurement Law* as soon as possible, and the relationship between the Government Procurement Law and the Tendering and Bidding Law should be further rationalised, says Chi Fulin 迟福林 (Hainan) Institute for Reform and Development.	At the national level, government procurement serves as a key policy tool to stimulate demand in strategic sectors. However, at the local level, protectionist practices often result in overcapacity and inefficiencies, as local governments favor domestic suppliers regardless of performance or cost-effectiveness. In response, Beijing is seeking to build a more unified national market by curbing such fragmentation. China has made limited offers to open certain free trade zones to allow foreign products to compete for government procurement contracts on equal terms with domestic goods. Nevertheless, major WTO Government Procurement Agreement (GPA) members—such as the United States—remain opposed to China's accession, citing concerns over insufficient transparency, market access, and persistent protectionism.
Services Trade	Advance openness in services; use negative lists; expand services trade.	Testing new negative lists (e.g., FTAs with Nicaragua, Singapore); talks to expand services trade with Switzerland; Shanghai FTZ pilot measures rolled out nationwide.	Lack of clarity on China security concerns limits service FDI.
Digital Trade Rules	Implement high-standard digital trade rules; improve cross-border data flows, algorithmic transparency, platform accountability.	2024 rules stating data collected in international trade, cross-border travel, manufacturing, academic research, and marketing that don't contain either personal information or 'important' information is exempt from security evaluations on cross-border transfer. Shanghai FTZ pilot measures rolled out nationwide; EU-China digital dialogue' RCEP advances digital trade; CPTPP application.	PRC securitisation of data; US dominance in digital services; geopolitical contest over data flows.

IP	Foster indigenous innovation and achieve technological independence; attract foreign investment; strengthen IP protection; combat infringement.	Now driven more by its ambition to foster indigenous innovation and achieve technological independence than it need for foreign investment, Beijing is committed to a robust legal and judicial IP framework, which includes specialized IP courts, punitive damages for infringement, and efforts to ensure equal protection for both domestic and foreign entities. Recent development include Shanghai FTZ pilot measures rolling out nationwide and 2025 new judicial interpretation for criminal IP infringement cases.	Beijing's IP strategy involves a delicate balance: while recognizing the critical role of stringent IP protection in incentivizing innovation and attracting foreign investment, it simultaneously seeks to accelerate the distribution and application of technologies to fuel economic growth. This creates a dynamic where overly restrictive IP measures are viewed as potential obstacles to broad economic modernization, which opens up for ambiguity in enforcement practises.
Industrial Subsidies & Local Preferences	Curb subsidies and local preferences; mitigate distortions creating trade imbalances.	While local governments still offer preferential support to firms to drive short-term growth, Beijing is gradually tightening central oversight. Local government financial strains make this task easier. Recent steps include a 2024 State Council order limiting local governments use of land and tax incentives to promote investment, Fair Competition Review Regulations under the Anti-Monopoly Law, revision of the Anti-Unfair Competition Law, and efforts to remove local barriers through the ‘unified national market’ initiative. Reform is gradual. China still wants ‘strong’ SOEs in key sectors. Beijing has begun to shift emphasis from scale to quality: introducing green financing tools, revising the Enterprise Bankruptcy Law to allow exit of inefficient firms, and promoting innovation to help companies compete through product differentiation rather than price wars.	Beijing recognises that overcapacity is not merely a trade issue but a deeply institutional one, rooted in legacy systems of local competition. Despite global pressure to discipline industrial subsidies, the state wants to support upstream sectors like flat glass, steel, and chemicals—valued as strategic inputs for advanced manufacturing and exports.
Foreign Direct Invest-ment (FDI)	Solve institutional problems for foreign-funded enterprises; encourage FDI; ensure national treatment.	Reduction of FDI negative lists, removing joint-venture requirements. 2019 FDI law and 2023 measures encouraging FDI. Plenum calls for equal treatment for foreign firms’ access to factors of production, license application, standards setting, and government procurement.	Decoupling pressures from US and EU. Local government protectionism.
Environmental and Labour Standards	Align with international environmental and labour standards. Develop ESGs with ‘Chinese characteristics’ .	An ESG disclosure system is under development. Industry reform emphasises sustainability; promotes green trade and investment. China in 2022 ratified two ILO Fundamental	China emphasises its status as a developing country, and advocates for ‘common but differentiated responsibilities’ between developing and advanced

		Conventions, covering forced labour. The conventions do not provide immediate legal recourse for foreign stakeholders but set benchmarks for monitoring and potential future complaints. MoHRSS releases guiding opinions on maintaining employment security rights for new employment forms workers and sets up pilot zones for their occupational injury protections.	economies. PRC criticism of green standards that could become new forms of trade barriers. Lack of comprehensive legal protections for gig-economy workers; overall economic slow down decreasing pressure on enforcement of labour standards.