ISSN: 2710-0723

The Impact of Financial Opening on the High-quality Development of Foreign Trade

-- An Empirical Study based on China's Provincial Panel Data

Fengrui Yang*, Yuping Zhao, Yameng Shang, Ruijie Cui

School of International Economics and Trade, Anhui University of Finance and Economics, Bengbu, China

*2926804846@qq.com

Abstract

Based on China's provincial panel data from 2003-2021, this paper uses state space model to empirically analyze the impact of financial opening on the high-quality development of foreign trade. The study found that financial opening promotes the high-quality development of foreign trade by optimizing resource allocation, reducing risks and promoting RMB internationalization, but there are also some problems, such as unbalanced regional opening, lagging risk prevention and control, and insufficient benefits for small and medium-sized foreign trade enterprises. To this end, this paper puts forward some countermeasures and suggestions, such as strengthening regional coordination, improving institutional supervision and enhancing the support of small and medium-sized foreign trade enterprises, in order to promote the coordinated development of financial opening and high-quality development of foreign trade and promote the sustainable development of China's economy.

Keywords

Financial Openness; High-quality Development of Foreign Trade; Synergy; Regional Coordination; Risk Prevention and Control.

1. Introduction

1.1. Research Significance

This topic deeply discusses the interaction between financial opening and high-quality development of foreign trade, aiming to respond to the requirements of the central economic work conference for centralized and unified leadership of financial work and deepening the reform of the financial system, and to implement the instructions of General Secretary Xi Jinping on accelerating the formation of a sustainable and high-quality development system and mechanism. The theoretical significance of this topic is to expand the research vision of the financial industry, provide a new perspective for high-quality development, and fill the gap of empirical research on the dynamic relationship between financial opening and high-quality development of foreign trade. In terms of practical significance, the topic is based on China's provincial panel data, considering the differences between provinces, providing empirical data support for policy formulation. By building a multi-dimensional evaluation index system to evaluate the level of foreign trade and financial openness, it provides theoretical support for the high-quality development of the national economy. In addition, the subject uses the state space model to conduct empirical research, in-depth analysis of the impact of financial opening on the high-quality development of foreign trade, and provides data support for optimizing the structure of financial opening and promoting the high-quality development of foreign trade, which has important strategic and practical significance. Through these studies, the topic aims

ISSN: 2710-0723

to provide a scientific basis for the adjustment of national financial policy and the development strategy of foreign trade, and promote the economy to achieve higher quality, more efficient, fairer, more sustainable and safer development.

1.2. Research Status

The research on financial opening and high-quality development of foreign trade at home and abroad covers theoretical connotation, statistical measurement and impact effect. The study of financial openness emphasizes the internationalization of RMB, the interconnection of capital markets, full openness, and the combination of independent monetary policy and free capital flow. The measurement methods of financial openness include statutory openness and factual openness, involving a variety of indices and indicators. In terms of impact effect, this paper discusses the effect of financial opening on economic growth, economic volatility, industrial innovation ability and other fields.

The research on the high-quality development of foreign trade also pays attention to the theoretical connotation, statistical measurement and impact effect. In terms of theoretical connotation, it emphasizes scientific and technological innovation, comprehensive benefits and balanced development pattern. In terms of statistical measurement, the comprehensive evaluation system of foreign trade growth quality is constructed, and the evaluation index system is constructed from the new development concept. Impact effect research focuses on the role of digital economy, finance, cross-border e-commerce and business environment on the high-quality development of foreign trade.

Although the existing research provides a certain theoretical basis and empirical analysis, there are still shortcomings, such as the lack of in-depth research on the dynamic relationship between financial openness and high-quality development of foreign trade, as well as the combination of measurement analysis and empirical research. This topic aims to deeply explore the impact of financial opening on the high-quality development of foreign trade from the perspective of differentiation, using state space model and annual data, in order to fill the gap of existing research and provide scientific basis for relevant policies.

1.3. Research Ideas

By analyzing the annual data of 31 provinces in China from 2003-2021, this paper constructs a multi-dimensional evaluation index system and financial openness index, and uses state space model to identify the dynamic relationship between financial openness and the high-quality development of foreign trade, and to further explore the impact of financial openness on the high-quality development of foreign trade. The research framework includes four parts: theoretical analysis, statistical measurement, empirical analysis and policy recommendations.

Firstly, the theoretical analysis part discusses the connotation, time value and practical significance of financial opening and high-quality development of foreign trade, and systematically integrates the optimization research methods based on provincial panel data to lay a theoretical foundation for follow-up measurement analysis and empirical analysis.

Secondly, the statistical measurement part evaluates the high-quality development level of foreign trade and the level of financial openness by building a multi-dimensional evaluation index system and financial openness indicators, deepens the understanding of their development stages, and provides data support for empirical research.

Then, based on the data obtained from measurement analysis, the empirical analysis uses the state space model to study the logical relationship between financial openness and high-quality development of foreign trade, constructs a dynamic time domain model, and identifies the short-term and long-term dynamic relationship between them through measurement equations and state equations.

ISSN: 2710-0723

Finally, the policy recommendations part synthesizes the conclusions of theory, measurement and empirical research, summarizes the development status and dynamic impact relationship between financial opening and high-quality development of foreign trade, and puts forward policy suggestions to promote financial opening to positively and healthily affect the high-quality development of foreign trade, so as to respond to national policies and promote high-quality economic development.

2. Basic Concepts and Theories

2.1. Financial Openness

Financial opening refers to a country or region gradually relaxing the control of financial markets at the legal and policy levels, allowing foreign financial institutions to enter and participate in banking, securities, insurance and other financial businesses, including the opening of capital accounts, so that domestic and foreign capital can flow freely.

The measurement of financial openness can be divided into statutory openness, which focuses on the formulation of policies and regulations, and factual openness, which focuses on the actual scale of capital flows.

The impact of financial opening on the economy is multi-dimensional, the positive impact includes the optimization of resource allocation, the improvement of market efficiency and the promotion of financial innovation, while the negative impact may include the impact of short-term capital flows, the spillover effect of the international financial crisis and the competitive pressure of foreign financial institutions.

2.2. High-quality Development of Foreign Trade

The high-quality development of foreign trade refers to further optimizing the structure of foreign trade, transforming the driving force of development, abiding by the concept of green development, and promoting economic development and common prosperity by promoting employment and innovation on the basis of scale expansion. Based on the five new development concepts (innovation, coordination, green, openness and sharing), it constructs a multi-dimensional evaluation index system including open development of foreign trade, coordinated development of foreign trade, innovative development of foreign trade, green development of foreign trade and shared development of foreign trade.

This concept emphasizes innovation as the main driving force for the development of foreign trade, pays attention to coordinated development between regions, promotes green and low-carbon development, strengthens open development through international cooperation and regional economic cooperation, and emphasizes the sharing of the achievements of foreign trade development. At the same time, this concept aims to achieve sustainable and high-quality growth of foreign trade and promote China's economy from rapid growth to high-quality development.

2.3. The Mechanism of Financial Openness on the High-quality Development of Foreign Trade

Financial opening has a positive impact on the high-quality development of China's foreign trade in many aspects:

On the one hand, the opening of financial markets makes it easier for foreign capital to enter the domestic market, invest in high-potential industries and enterprises, increase the total investment, enhance the capital stock and international competitiveness of foreign trade enterprises, optimize the allocation of resources, and promote technological upgrading and product innovation.

ISSN: 2710-0723

On the other hand, financial openness helps foreign trade enterprises disperse risks through diversified financial instruments and products, use financial derivatives to hedge the risk of exchange rate and price fluctuations, and reduce transaction uncertainty. In addition, the entry of foreign financial institutions improves the service quality and efficiency of domestic financial markets, reduces the financing and settlement costs of enterprises, enhances capital liquidity, and enables foreign trade enterprises to respond more quickly to market changes and seize international opportunities. Financial opening also promotes the government to reform the financial system, improve laws and regulations, enhance the level of supervision, create a safer business environment for foreign trade enterprises, and promote compliance and sustainable development.

At the same time, financial openness helps RMB internationalization, increases the use of RMB in international trade, reduces exchange rate risks, improves the international status of RMB, strives for greater voice for China in Global trade, and provides more financing channels and facilities for foreign trade enterprises. Finally, financial opening promotes the coordinated development of regional economy, promotes interregional economic cooperation, improves the scale and quality of foreign trade, and promotes the high-quality development of foreign trade.

3. Current Situation Analysis

3.1. Current Situation of Financial Opening

In recent years, the two-way opening of China's financial service industry has achieved remarkable results, the business of foreign financial institutions in China has expanded rapidly, the overseas layout of Chinese banks has been steadily promoted, and the internationalization process of securities industry and insurance industry has accelerated. Important progress has been made in capital account convertibility, direct investment and real estate trading projects have been basically convertible, the openness of securities investment has been continuously improved, and interconnection mechanisms such as "Shanghai Hong Kong stock connect", "Shenzhen Hong Kong stock connect" and "bond stock connect" have further enhanced the convertibility of capital account. The process of RMB internationalization has accelerated, and it was included in the IMF special drawing rights currency basket in 2015. The amount of cross-border RMB receipts and payments has continued to grow, and the offshore market has developed rapidly. Hong Kong has become the largest RMB offshore center in the world.

However, there are significant differences in financial opening between regions, with a higher degree of opening in the eastern region and a relative lag in the central and western regions. In the process of opening up, China pays attention to balancing opening up and risk prevention and control, and effectively prevents systemic financial risks through incremental strategies. In the future, China will continue to deepen financial opening, promote the internationalization of RMB, steadily realize the convertibility of capital accounts, strengthen the two-way opening of the financial industry, promote regional financial reform and opening up, actively participate in global financial governance, and strengthen the capacity building of financial supervision to ensure the smooth and orderly progress of financial opening.

3.2. Current Situation of High-quality Development of Foreign Trade

In recent years, China's high-quality development of foreign trade has made remarkable progress, showing a trend of synchronous optimization of "quantity" and "quality" as a whole. From 2003 to 2019, the high-quality development index of foreign trade rose from 0.3579 to 0.5615, indicating the steady improvement of the quality of foreign trade. In 2022, the total import and export value of China's trade in goods reached 39.1 trillion yuan, an increase of 21.4% over the same period last year, of which exports increased by 21.2% and imports increased by 21.5%. In the context of global economic recovery, China's exports to Africa, the European

ISSN: 2710-0723

Union, Latin America and other regions have increased significantly, and housing economy related products have achieved steady growth, providing an important guarantee for the global fight against the epidemic.

The structure of foreign trade has been continuously optimized, the proportion of exports of high-tech products and emerging services has been significantly increased, and trade in goods and services has been more balanced and coordinated. In terms of regional structure, the proportion of trade in the central and western regions has increased, the gap between regions has gradually narrowed, the scale of foreign trade in the eastern region is huge, and the central and western regions have developed rapidly with policy support. In terms of market structure, China's foreign trade market concentration has been optimized, its trade with emerging markets and countries along the "belt and road" has increased significantly, and the degree of market diversification has increased.

The competitiveness of foreign trade has been significantly enhanced in some areas, such as the competitiveness index of high-tech industries and the TC index of trade in goods, but there are still shortcomings in the competitiveness of service trade, and the deficit of service trade is large. The overall performance level of foreign trade shows a fluctuating upward trend, but the improvement is limited, the contribution of foreign trade to GDP has declined, and the terms of trade have deteriorated. The sustainability of foreign trade has been enhanced, the development mode of high energy consumption and low quality has been gradually optimized, the energy consumption per unit of import and export has declined, and the awareness of green trade has been enhanced.

With the acceleration of innovation and digital transformation, the innovation and development index of foreign trade has risen steadily, and new formats and models such as cross-border e-commerce and market procurement trade have developed rapidly, becoming a new driving force for the growth of foreign trade. The continuous deepening of the application of digital technology in the field of foreign trade and the expansion of the scale of digital trade have promoted the innovation and efficiency of trade models. However, the high-quality development of foreign trade still faces some problems and challenges, such as intensified trade frictions, shortcomings of service trade, pressure of sustainable development and so on.

4. Problems and Countermeasures

4.1. Problems of Financial Opening Affecting the High-quality Development of Foreign Trade

4.1.1. Unbalanced Regional Opening Leads to Uncoordinated Development of Foreign Trade

There are significant differences in the promotion of financial opening between regions. With a strong economic foundation and a higher level of financial development, the eastern region has a higher degree of financial opening, which can make full use of international resources and market opportunities to promote the high-quality development of foreign trade. However, the level of financial openness in the central and western regions lags behind, foreign trade enterprises are difficult to obtain sufficient financial support and international resources, and the internationalization process and high-quality development are limited. This regional imbalance may lead to the disharmony of the national foreign trade development, the accelerated transformation and upgrading of foreign trade enterprises in the eastern region, while the development of foreign trade enterprises in the central and western regions may be slow due to insufficient financial support, further widening the gap between regional foreign trade development, which is not conducive to the overall promotion of the high-quality development of national foreign trade.

ISSN: 2710-0723

4.1.2. Risk Prevention and Control and Institutional Supervision Lag Affect the Stability of Foreign Trade

With the deepening of financial openness, the complexity and uncertainty of financial markets have increased significantly, and the difficulty of risk prevention and control has increased. The entry of foreign financial institutions intensifies market competition, and the acceleration of cross-border capital flows may lead to exchange rate fluctuations and financial market instability. At the same time, China's financial opening system and regulatory system have not yet fully adapted to the rapidly changing market, some laws and regulations are not in line with international standards, the regulatory capacity is insufficient, and the financial derivatives market is less open and difficult to regulate. These problems may lead to more complex financing environment and operational risks for foreign trade enterprises, rising financing costs, and difficult to effectively hedge exchange rate risks and market volatility risks, thus affecting the operational stability of foreign trade enterprises and restricting the high-quality development of foreign trade.

4.1.3. The Insufficient Benefits of Small and Medium-sized Foreign Trade Enterprises Restrict the Overall Upgrading of Foreign Trade

Financial opening is mainly concentrated in large financial institutions and large foreign trade enterprises, and small and medium-sized foreign trade enterprises have limited benefits in the process of financial opening due to their small scale and weak ability to resist risks. Small and medium-sized foreign trade enterprises are often difficult to obtain sufficient financial support, narrow financing channels and high costs, and limited technological innovation and market expansion capabilities. Small and medium-sized foreign trade enterprises are an important part of China's foreign trade, and their limited development will directly affect the overall realization of high-quality development of foreign trade. Small and medium-sized foreign trade enterprises are difficult to enhance their competitiveness through financial opening, and can not effectively participate in international market competition, which is not conducive to the optimization of foreign trade structure and industrial upgrading.

4.1.4. Insufficient Synergy and Difficult to Break through the Shortcomings of Service Trade

Although financial openness can promote the high-quality development of foreign trade in theory, the synergistic effect of the two has not yet been brought into full play in practice. On the one hand, foreign capital and advanced technology brought about by financial opening have not been effectively transformed into the core competitiveness of foreign trade enterprises; On the other hand, the demand for high-quality development of foreign trade has not fully guided the direction and rhythm of financial opening. In addition, the role of financial opening in promoting trade in services is limited, and the problems of insufficient competitiveness and large deficit in trade in services have not been effectively solved. The disconnection between financial opening and the high-quality development of foreign trade makes it difficult for foreign trade enterprises to make full use of the opportunities brought by financial opening, and it is difficult to break through the shortcomings of service trade, which further limits the overall process of high-quality development of foreign trade. As a short board for the high-quality development of China's foreign trade, the lack of competitiveness of service trade directly affects the optimization of China's foreign trade structure and the improvement of international competitiveness.

4.2. Countermeasures and Suggestions

4.2.1. Strengthen Regional Coordination and Differentiated Opening

We will formulate differentiated financial opening strategies, increase policy support and resource preferences for the central and western regions, and enhance the level of financial infrastructure construction. Through the regional cooperation mechanism, we should promote the flow of financial resources from the eastern region to the central and western regions and promote the coordination of high-quality development of regional foreign trade. At the same time, we should improve the monitoring and early warning mechanism of cross-border capital flows, enhance the scientific and technological level of financial supervision, and ensure the balance between financial opening and risk prevention and control.

4.2.2. Improve the System and Supervision System

We will accelerate the revision and improvement of laws and regulations related to financial opening and bring them into line with international standards. Enhance the ability of financial supervision, strengthen the supervision of financial innovation, and ensure the stable operation of financial markets. Through institutional and regulatory reform, we will provide a solid institutional guarantee for the high-quality development of foreign trade. At the same time, we should improve the formation mechanism of RMB exchange rate, promote capital account convertibility, and enhance the level of RMB internationalization.

4.2.3. Enhance the Support and Synergy of Small and Medium-sized Foreign Trade Enterprises

Set up special funds to reduce the financing threshold of small and medium-sized foreign trade enterprises, and provide preferential loan interest rates and diversified financing channels. Financial institutions are encouraged to develop financial products and services suitable for small and medium-sized foreign trade enterprises and enhance their market competitiveness. At the same time, we should establish a synergistic mechanism between financial opening and high-quality development of foreign trade, ensure that the direction and rhythm of financial opening match the needs of high-quality development of foreign trade, promote the transformation of resources and technologies brought about by financial opening to foreign trade enterprises, and enhance their core competitiveness.

4.2.4. Promoting the Development of Trade in Services and Enhancing the Competitiveness of Financial Institutions

Strengthen the role of financial opening in promoting trade in services, and promote the international development of financial, insurance, consulting and other service industries through policy support and market guidance. Enhance the contribution rate of service trade in the high-quality development of foreign trade and optimize the structure of foreign trade. At the same time, through financial opening, we should promote the competition and cooperation between domestic financial institutions and foreign institutions, and enhance the competitiveness of domestic financial institutions. Domestic financial institutions are encouraged to strengthen technological innovation and management innovation, improve service quality and efficiency, and provide better financial support for foreign trade enterprises.

Acknowledgments

This work is supported by Innovation and entrepreneurship training program for college students of Anhui University of Finance and Economics (No.: 202310378251).

References

[1] Chen Zixi and Qingmei. Research on the measurement of high-quality development level and its temporal and spatial convergence of urban agglomerations in China [J]. Quantitative economic and technological economic research, 2022 (06): 42-60.

[2] Li Jinchang. Discussion on the evaluation index system of high-quality development [J]. Statistical research, 2019 (01): 4-14.

ISSN: 2710-0723

[3] Li Xiaosheng. Financial openness, financial friction and macroeconomic volatility in China [J]. Economics (quarterly), 2022 (05): 1533-1554.

[4] Ou Jinfeng. Evolution of high-quality development level of new urbanization in Guangdong Province and its influencing factors [J]. Economic geography, 2023 (03): 78-87

[5] Wu Xiaoqiu. China's financial opening up: mode, basic conditions and market effect assessment [J]. Finance and trade economy, 2020 (05): 5-18.

[6] Wang Shan. Measurement and driving mechanism of regional economic integration in the Yangtze River Delta Based on the perspective of high-quality development [J]. Statistical research, 2022 (12): 104-122.

[7] Xie Maoyi. The impact of rural labor transfer on regional income gap - based on China's provincial panel data from 2006 to 2021 [J]. Economic geography, 2023 (03), 180-187.

[8] Yang Yaowu and Zhang Ping. Logic, measurement and governance of China's high-quality economic development [J]. Economic research, 2021 (01): 26-42.

[9] Yu Yang. Research on the measurement of urban economic development under the background of new strategy - Empirical Analysis Based on integrated social network [J]. Statistical research, 2021 (03), 30-43.