

Pathways for China's New Development Pattern of the Dual Circulation Strategy

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Abstract. In the face of global-market opportunities and risks, China's dual-circulation framework constitutes its adaptive strategy, as well as a strategic upgrade based on the transition of domestic development evolving from quantity-centric surge to quality-first advancement. This article expounds on the theoretical context and practical achievements of dual circulation and proposes specific implementation strategies based on this pattern. This paper analyses relevant scholars' articles in the field of dual circulation to propose specific implementation paths. Specifically, promoting supply side structural reform within the country, optimise the investment structure, and develop emerging strategic enterprises. It is also important to promote higher-level deepening opening up to the outside world, comprehensively improving the structure, level, quality and efficiency of foreign trade and economic cooperation. Additionally, reforms should be carried out to promote the market-based allocation of factors, and support should be provided for technological breakthroughs and market expansion in key areas. This paper provides a reference for the development of relevant industries.

Keywords: Dual circulation; new development pattern; supply-side structural reform; opening up.

1. Introduction

This model has been proposed in China in the new era and is being implemented as an important national development strategy.

This development pattern focuses on the domestic economic cycle and promoting mutual growth between the domestic and international economies. Research on China's dual circulation new development pattern holds significant implications across multiple dimensions. This development pattern marks a historic shift in China's development policy from a domestic-focused cycle to a dual domestic and international cycle. Such deepening reforms are an inevitable path in China's modernisation process, reflecting its profound understanding of economic development laws and its national conditions. From an economic development perspective, this transformation is in line with the trend of economic globalisation, promoting China's deepening reform and optimization of its economic structure, and propelling the economy toward sustainable, quality-centric growth. From a theoretical perspective, it can enrich the relevant theories of development economics, provide socialist experience for economic research, and provide theoretical support for the construction of a socialist economic development theory system with Chinese characteristics. From a policy perspective, research on China's dual circulation is of pivotal importance to China's efforts to build a fully modernized nation and to foster high-calibre, sustainable growth, as it can not only improve the policy system but also promote the further enhancement of economic governance capabilities.

After 1949, economic development strategy of China underwent some adjustments in practice.

Relevant scholars divide China's economic structure into five stages [1]. These are the early industrialisation stages (1949-1978), during which economic development was mainly dominated by the domestic economic cycle. The second stage was the national economic adjustment phase during the first decade of reform and opening up (1978-1988). In this era, the centrally directed economic order gave way to a market-driven one, and the market's invisible hand steadily gained prominence within the nation's economic circulation. The third stage saw the formation of an outward-oriented economic development pattern (1988-2006), driven by several major events.

In 1992, China set itself the objective of forging a socialist market-based economic framework, aiming to accelerate the development of this distinctively socialist market order, further advancing

the reform and opening-up process. In 2001, China's accession to the World Trade Organization marked the full formation of its outward-oriented economic structure. By 2006, China had become the world's largest exporter, with the international grand cycle dominating the economy, leading to an imbalance in the domestic economic structure. The excessive reliance on the international grand cycle in the third stage began to adjust after 2006, ushering in the fourth stage of adjustments to the outward-oriented economic structure (2006–2020). Relevant policies emphasize expanding domestic demand, adjusting the outward-oriented economy, and strengthening the development of the domestic economic cycle. However, this led to overcapacity issues. By 2019, China's foreign trade dependency ratio had dropped to 31.9%, but it remained higher than that of other developed economies, and the economic development pattern still needed further optimization. The fifth stage is the establishment of a dual-circulation development pattern (2020-present). On 14 May 2020, first proposed a new development pattern of domestic and international dual circulation. Since its introduction, this economic development pattern has had a long-term impact and continues to have an impact today.

Through a review of the literature, this study found that the evolution of this strategy is the result of successive generations of improvements through accurate control of the country's national conditions and economic development trends, moving from a domestic circulation to an outward-oriented economy and then modifying and improving it to compensate for domestic demand in the transition to a dual-circulation development pattern. The proposal of the model in order to achieve a balanced development of the economy and resources, domestic demand and foreign demand, assisting healthy economic development.

Placing the internal economic loop at the core, this study weaves it together with the global loop so that each amplifies the other, producing a combined outcome that exceeds the simple sum of its components. This paper first explains the concept and evolution of China's dual circulation strategy, then analyses its underlying mechanisms and structural characteristics from a theoretical perspective and evaluates its implementation outcomes. Based on this, it interprets relevant policies, proposes measures to advance their implementation, and outlines future prospects.

2. Theoretical Logic: The Internal Mechanisms and Structural Characteristics of the Dual Circulation

2.1. The Internal Mechanisms of the Dual Circulation

Scholars have proposed that the prerequisite for achieving economic circulation is the alignment of supply and demand. For a closed-loop circulation, it is necessary to identify the starting point of the loop, which in economic circulation can be traced back to either the supply side or the demand side [2]. Based on the scope of economic activities, economic cycles can be divided into domestic cycles occurring within a closed space and international cycles occurring externally. However, this paper argues that domestic and international cycles do not exist independently in the dual circulation policy but are dynamically interconnected and interactive cycles.

First, the domestic grand cycle is the main focus. Relevant scholars point out that China's domestic demand is at a high level compared to other BRICS countries, reflecting that the international competitiveness of China's intermediate products is relatively weak and its ability to supply the international market is relatively weak [2]. Therefore, it is necessary to take the domestic grand cycle as the main focus, promote structural reforms on the supply side, drive development through innovation, build a higher-quality supply system, and promote China's deepening reforms, which will also be conducive to promoting the international grand cycle.

Second, the dual circulation of the domestic and international markets is emphasized. Relevant scholars have pointed out that in the short term, the domestic and international circulations exhibit both complementary and substitute relationships, while in the medium to long term, they more prominently demonstrate mutually reinforcing relationships [3].

The core of the dual circulation strategy is to use domestic circulation as the foundation for development and international circulation as an extension. Increased domestic demand drives the

improvement of domestic supply capacity and the expansion of import scale, which in turn provides conditions for expanding exports. Meanwhile, the upgrading of demand optimizes the product market, promoting the optimization of international circulation.

The international cycle injects vitality and provides support for the development of the domestic cycle. Relevant scholars have proposed that the international cycle can enhance domestic supply capacity through learning effects, spillover effects, and demonstration effects, thereby promoting the structural upgrading of the domestic cycle. This also provides strong support for China's supply-side structural reforms and the improvement of its supply system. As Huang Huiqun pointed out, this cycle is not stagnant internal circulation, but a spiral-shaped upward movement [4].

2.2. Structural Characteristics of the Dual Circulations

Scholars have suggested that the underlying architecture of this dual-circulation model can be conceptualized as four interlinked tiers. [4]. These are: domestic circulation as the main theme; emphasizing the connection and interaction between domestic and international circulation; proactive dual circulation; and dynamic dual circulation.

These four layers provide a clear analysis of the structural principal traits of the domestic & international circulation model and succinctly highlight the essence of the new development pattern of dual circulation. First, taking the domestic grand cycle as the main stay not only is it conducive to China's endeavor to build and improve its supply system and mitigate diverse uncertainties inherent in the international marco-cycle generate shocks to Chinese economic system, but also promotes domestic reform. From the perspective of the international grand cycle, the international markets see China functioning as a key player. First, by placing the internal grand cycle at the core, the government simultaneously energizes the external grand circulation. Second, the strategy stresses the seamless integration and mutual reinforcement of home and global circuits, with the latter firmly rooted in the former. From the perspective of imports and exports, the increase in domestic demand not only enhances domestic supply capacity but also drives the increase in imports. From the perspective of product quality, due to the high-end nature of demand, the supply of products in the market will gradually optimize. In this continuous cycle, the quality of products in the international circulation market will also improve. International circulation also provides impetus for domestic circulation, not only alleviating employment pressure to a certain extent but also promoting the quality of the domestic circulation through learning and demonstration effects. The structural characteristics of the active dual circulation are an active choice made by China since the reform and opening up in response to changes in the domestic and international economic situation, which conforms to China's basic national conditions and the need for deepening reform. Finally, the structural characteristics of dynamic dual circulation indicate that the domestic and international dual circulation are not formed directly or once and for all, nor are they static. The new development pattern of the dual circulation has been formed through continuous revision and improvement based on China's national conditions and the progress in economic field during the advancement of reform and opening up and it will continue to evolve and develop with the times [5].

3. Specific Pathways and Strategies for Building the New Development Pattern of the Dual Circulation

3.1. Core Measures to Smooth the Domestic Large-Scale Circulation

China needs to expand its domestic demand strategy, increase the proportion of residents' income, improve the social security system, and thereby release consumption potential. It should continuously optimize its investment structure to promote sustained economic development. It should increase investment in new infrastructure and people's livelihoods to promote the stable operation of the domestic cycle and ensure people's well-being. It should improve people's quality of life, provide momentum for long-term development, and promote domestic demand and economic growth [6].

Relevant departments should deepen supply-side structural reforms and advance the upgrading of industrial foundations. To facilitate the smooth operation of the domestic economic cycle, China must address key technological bottlenecks in areas such as industrial machinery and high-end chips.

Develop strategic emerging industries such as artificial intelligence, biopharmaceuticals, and new energy to upgrade product quality and enhance the quality of the international economic cycle.

3.2. Pathways to Enhance the Quality of the International Circulation

China must adhere to higher-level opening-up, expanding the opening of the service industry, and reduce the negative list for foreign investment access to drive industrial upgrading, inject vitality into the market, and create employment opportunities, thereby promoting China's economic development. For example, building free trade pilot zones and the Hainan Free Trade Port as new open-up hubs. Enhancing the attractiveness of foreign investment, promoting trade and investment, and stimulating market vitality. Driving industrial upgrading with high-end factors to enhance the value of manufacturing.

The government should also optimise the structure of foreign trade and economic cooperation and promote the transformation of exports from a "scale-oriented" to a "quality and efficiency-oriented" model. Develop high-end manufacturing and improve digital service exports. Promote the diversification of international markets and deepen engagement with emerging markets such as Southeast Asia, the Middle East, and Latin America. Reduce market risks caused by related unstable factors and enhance market resilience and flexibility. Promote international trade exchanges and cooperation.

3.3. Mechanisms to Promote the Synergistic Integration of the Dual Circulation

Relevant departments should promote reforms in the market-based allocation of factors of production, establish a unified national data element market, explore a "white list" for cross-border data flows, improve the efficiency of factor utilization, reduce unfair competition in the market, and promote fairness and common development to drive high-quality economic development.

Improve mechanisms for the two-way flow of high-end talent between China and other countries, such as facilitating the return of overseas students to start businesses and the entry of international talent into China. The two-way flow of talent between China and other countries fosters an efficient distribution of human capital and catalyses breakthrough innovation. It also promotes the exchange and development of technology and knowledge, enhances national competitiveness, and promotes international exchanges, cooperation, and understanding.

Relevant departments should establish regional coordination development strategies, with the major economic development clusters to build hubs connecting domestic and international circulation. This will help narrow development gaps, reduce income disparities, and promote social fairness. It will also enhance the resilience of economic development, unlock the development potential of underdeveloped regions, and provide sustained momentum for overall economic growth.

Promote industrial transfer to central and western regions to expand domestic circulation space.

Additionally, innovative policy tools should be developed to establish a "dual circulation" evaluation indicator system, guiding local governments to coordinate their efforts. A "dual circulation" development fund should be established to support technological breakthroughs and market expansion in key areas. The product supply system should be improved to enable the government to play a proactive role in promoting both active and dynamic dual circulation.

4. Implementation Outcomes: Internal and External Implications of the New Double-Cycle Development Pattern

Relevant scholars have proposed that the implementation effectiveness and value of this development pattern of the dual circulation can be analysed from the following three directions [7]. These are: Chart the course for China's socialist market economy that marches to its own distinctive

beat.; pointing out a new trend for The enduring advancement of China's socialist market economy will catalyze a fresh surge of momentum for the next global economic rebound. This article believes that the effectiveness in the field of economic development pattern of the dual circulation can be analysed from its domestic and external impacts.

Domestically, the development pattern of dual circulation has promoted the sustainable development of China's economy and further development of the domestic market, which is conducive to ensuring the security of supply and demand collaboration and industry linkages. It has promoted the construction of a unified global market, reduced vicious competition, and promoted industrial upgrading. It has also promoted consumption upgrading and industrial chain optimisation. It has provided export-oriented enterprises with opportunities to shift from export to domestic sales and provided domestic enterprises with safer and more sustainable profit growth. In the first half of 2025, consumption expenditure contributed 52% to Gross Domestic Product (GDP) growth, with domestic demand accounting for a staggering 68.8%, becoming a powerful driver of economic growth. Additionally, in the first half of 2025, the growth rate of logistics in high-tech manufacturing exceeded the average growth rate, demonstrating that powered by the dual-circulation strategy, the nation's high-tech factories are accelerating breakthroughs and becoming markedly more efficient. From an external perspective, China has gradually become the centre of the global supply chain, with its economic growth providing stable support for the development of the world economy. As a pivotal participant in global trade, China maintains extensive commercial ties with the majority of nations. By embracing a 'dual-circulation' development paradigm—where domestic and international markets reinforce each other—China can deliver sustained impetus for worldwide economic expansion and capitalize fully on its strategic role within the global industrial and supply networks. [8,9]. Within China, the emphasis on upgrading the industrial chain is aimed at attracting relevant multinational corporations to drive the optimisation of international industrial chains and supply chains. Research by scholars has pointed out that China's imports of goods and intermediate products have surged since 2008, and the structure of China's export products has become increasingly similar to that of major exporters of high-end products. This also reflects the mutually reinforcing role of these two major cycles in driving improvements in product quality [10].

5. Conclusion

This paper employs content analysis to examine China's new development pattern of dual circulation, summarizing its development process, elucidating its underlying mechanisms and structural characteristics, and proposing policy pathways based on its related achievements. Specifically, it analyses the domestic and international dimensions of the dual circulation policy, and offers suggestions for the supply-side structural reforms, factor market circulation, and two-way talent flow to facilitate the domestic circulation. Additionally, it offers suggestions for maintaining higher-level opening-up and optimizing the structure of foreign trade in external circulation. The strategy envisages a self-sustaining internal cycle as the anchor, complemented by an external cycle that feeds back into and accelerates domestic dynamism. This development pattern holds significant implications for China's economic development and will not remain static. This development pattern will continue to evolve and improve in response to changes in economic development and domestic and international circumstances, driving China to further deepen reforms and advance its modernization as a strong nation.

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