

# Dual Cycle Development Pattern

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“dual cycle”

High-Quality Economic Development

green economics

## 1. Introduction

Over the period of several decades, China has formed a pattern of a large economy with lower economic strength. To strengthen the economic situation, China formulated an environmentally sustainable high-quality economic development strategy, and proposed to emphasize over ecological priority, green development, and innovate the domestic and international “dual cycle” <sup>[1]</sup>. High-quality economic development requires getting rid of the traditional factor-dependent economic growth mode, relying more on the improvement of production efficiency and structural optimization brought about by technological innovation, and getting rid of excessive dependence on foreign demand <sup>[2]</sup>. It continues to promote circular economy, accelerate the transformation of economic development mode, build ecological civilization, promote green development, and achieve high-quality economic development <sup>[3]</sup> <sup>[4]</sup>.

In this context, China has proposed a dual cycle development pattern. The dual cycle is primarily based on the domestic large-scale cycle. Under the circumstance of high uncertainty in the external environment, the domestic industrial base is strong, the industrial chain is complete, and the strategic maneuvering space is large <sup>[5]</sup>. The characteristics of the super large market scale, smooth production, distribution, circulation, consumption, and other aspects of economic operation promote the realization of internal self-circulation, including supply and demand circulation, industrial circulation, regional circulation, urban and rural circulation, and factor circulation <sup>[6]</sup>. Secondly, it is necessary to form a new pattern of international circulation, get rid of over-reliance on the traditional international circulation model <sup>[7]</sup>, and form more international circulation patterns oriented towards southern countries and countries along the “Belt and Road”. On the one hand, China, as a world market, has expanded its opening to the world and continued to share the opportunities of the Chinese market with the world; on the other hand, China, as the world’s factory, will continue to provide the world with Made in China and Created in China,

forming a new pattern of mutual promotion of domestic and international cycles <sup>[8]</sup>. This means that China's economic development has reached a stage where it must be transformed and upgraded.

The new dual cycle development pattern provides a very good idea for industrial upgrading, which is to continue to promote supply chain adjustment and industrial structure upgrade based on the domestic big market <sup>[9]</sup>, and at the same time, based on the international perspective, international scope, and international market, to support Chinese enterprises to continue Focus on the world, expand opening up at a higher level, participate in the international division of labor at a deeper level, realize the optimized layout of the supply chain on a global scale, realize the transition of enterprises in the global value chain, and, finally, achieve high-quality economic development.

## 2. The Impact of “Dual Cycle” on High-Quality Economic Development

The “dual cycle” strategy is a scientific judgment made by the Chinese government with characteristics of international and domestic economic development. It is an active choice by the Chinese government to adapt to changes in the development stage, and it will inevitably become the normal state of economic development <sup>[10][11]</sup>. China's composition of a new “dual cycle” pattern is to completely break the institutional barriers that restrict the flow of factors to improve the regional linkage mechanism of production factors, and promote the cross-regional flow and optimal allocation of factors <sup>[12]</sup>. Similarly, it forms international and domestic economic cycles. In building domestic circulation system, the Chinese government has proposed consumer-side structural reforms, the essence of which is to promote consumption upgrading, to make it a new driving force for Chinese economic circulation <sup>[13][14]</sup>.

Further, to construct a new development pattern of “dual cycles”, strategically, we must persist in expanding domestic demand and consolidate the national economic cycle dominated by the domestic market <sup>[15]</sup>. The key to expanding domestic demand is to focus on promoting the upgrading of service consumption structure, forming an interactive integration of service utilization and product consumption, and driving the double cycles <sup>[15][16]</sup>. At the same time, by adjusting the economic structure to appropriately increase residents' consumption and effective investment through the formation of a sustainable growth mechanism for residents' income, a consumption-led domestic demand system needs to be established <sup>[16][17]</sup>. In addition, the key is also to adhere to the main domestic cycle and effectively respond to the impact of sudden changes in the international political and economic situation to maintain a good momentum of stable, healthy, and rapid growth of the national economy <sup>[18]</sup>.

## 3. Industrial Upgrading Impact on High-Quality Economic Development

Following the COVID-19 global crises, one can argue that the world is facing major changes that were unseen a century ago. Similarly, the containment of China by developed countries has intensified, and international

competition has now become more intense. In the new international situation, China must not only continue to maintain an important position in the global industrial chain, but also needs to further climb to the upstream of the global industrial chain, that is, to upgrade the industrial structure [19][20]. Industrial upgrading is manifested in economic development shifting from “quantity catch-up” to “quality catch-up”, from “scale expansion” to “structural upgrading”, from “factor-driven” to “innovation-driven”, and from “distribution imbalance” to “common prosperity”, from “high carbon growth” to “green development” [21][22][23]. Grossman and Krueger [24] researched that the level of resources and the environment is usually closely related to the stage of economic development. The environment of Yangtze River Economic Belt can be protected under the conditions of high-quality economic development [25]. Moreover, to certain extent it can be indicated that when a region implements high-quality economic development, its own good development conditions can attract capital, talents, technology, and other factors to gather, and increase total factor productivity which is regarded as a high economic growth momentum of quality development [26][27]. Waqas et al. [28] found that big data analysis can improve the environmental performance of manufacturing, and Chinese manufacturing needs to formulate appropriate measures to address sustainability issues and promote the adoption of big data, which is of great significance for achieving high-quality development.

## 4. “Dual Cycle” and Industrial Upgrading Impact on High-Quality Economic Development

High-quality economic development ensures environmental sustainability which is driven by innovation. Similarly, to achieve environmentally sustainable economic growth, it is also pivotal that country should promote the effective allocation of economic resources among the industries and improve production efficiency according to consumer needs and promote the rational flow of labor among key industries through technological advancement [29]. In this regard, dual cycle strategy can provide basis for the development of economy and industry [30]. Similarly, constructing a new development pattern of “dual cycles” means to promote industrial upgrading through “dual cycles” to increase the efficiency of factor production and form new growth points [31]. Industrial upgradations adopt new industrial technology which fosters the initiative and first-mover advantage of the industry led by internal circulation, and creates an innovation ecosystem, which will drive high-quality economic development [32]. “Double cycle” and the synergy of industrial upgrading can realize the innovation chain as the leading factor in the “four chains” of innovation chain, supply chain, industrial chain, and value chain, and drive high-quality economic development [33]. Meanwhile, industrial upgrading could strengthen green technological innovation and green development, forming a mutually reinforcing pattern of ecological protection and high-quality development through ecological protection, and promoting the improvement of ecological protection through high-quality development [34][35].

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