

Column

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What does Dual Circulation Economy mean?

CNBW China Post from Nanjing, November 30th 2020 ... In a speech given at the Economic Committee of the Political Consultative Conference in May this year, Mr. Xi Jinping mentioned the strategy of the dual circulation economy for the further development of the Chinese economy. Normally, when the Chinese leaderships announces such strategies, they are already finished concepts, which are then picked up by the media. Now, what does this strategy of the dual circulation economy mean? The basic idea is, that in the future, there will be two economic circles in China, one internal one, which will be complete in itself and which will satisfy domestic demand and consumption, and one external one, which will complement and optimize the internal circle through imports and export.

Chinese media clearly pointed out that there was no question of China to extract itself from the world economy or to fall into any kind of protectionism. Nevertheless, the ramifications of the COVID epidemic and some issues in relations with the trade war between China and the USA have highlighted to the Chinese leadership the high degree of dependency from abroad in many areas. This dependency does not correspond well with the idea of a 'big country' which is continuously presented to the Chinese people by the Beijing leadership. The new strategy will necessitate big amounts of new investments in various industries. The new strategy also will be the foundation of the new five-year plan, which will be come in force in the beginning of 2021.

It will have to be seen, how realistic or successful this new strategy will be. In the past, both all proclaimed strategies have been successful, many have been silently put aside. In many cases, the marketing and packaging of those plans have been better than the result. On a regular basis, stimulation programs for declared key industries led to overcapacities, low quality products and embezzling of funds. Most likely, a considerable amount of the present dept burden of China might have been avoidable through better supervision. Therefore, it will be interesting to see, how the new strategy will be realized in the next few years.

Certainly, the new strategy aims to a certain de-coupling from import dependencies. Bat what will it mean for foreign invested companies in China and for companies, which are exporting to China? Chinese Media pointed that the further opening of the country for foreign investment and imports will be no contradiction to the new strategy, in the contrary, innovative investment is considered to be important in order to increase the international competitiveness of the Chinese industry.

At this moment, we of CNBW do not consider this new strategy as a threat to foreign investments in China.

The new strategy certainly reflects the experiences drawn from the epidemic and the trade war. Most likely, the detailed interpretation of the new strategy will also absorb many already existing projects, measures and strategies, such as China 2025, Belt and Road etc. China will enjoy positive GDP growth this year – even in the year of COVID. Next year, the Chinese economy will further expand, to the measure of 4-6%. Also in the future, the size and the dynamic of the Chinese market will be important and interesting for foreign companies, both as an export destination or for investments in the country. Nevertheless, in order to be successful in China in the long run, it will be important for companies to be present in China, specially in the context of the dual circulation strategy.

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