

Brief Analysis of the Central Economic Work Meeting

On Plan For 2021

There was a significant structural change in the document of the 2020 Central Economic Work Meeting which discussed the economic plan for 2021. The work deployment in previous document was relatively general. However this year, the document began with a keynote of overall macro policy and followed with details of work deployment for the coming year. The highlights of the meeting are as follows:

I. Overall situation

The top authority's judgement of China's internal and external situation remained the same yet focused more on the impacts of Covid-19. Due to China's effective response to the pandemic, the country's imports and foreign direct investment (FDI) rebounded in the second half (H2) of 2020 and are expected to reach a record high, a point of pride for China's government.

II. Keynote of macro policy in 2021

The statement regarding fiscal and monetary policies was similar to the previous year. The document emphasized supporting economic recovery via more accurate, effective, smooth, and sustainable policies. This indicates a stable and consistent policy trend.

III. Orientation of core policy

Focusing on "security" and the "balance between development and security".

Strengthening the country's strategic science and technology forces and the independence of industrial supply chains

- "Breakthroughs in science and technology" were set as a priority for the first time in such a meeting. It specified that a new type of national system shall tap the potential of major scientific research institutes and universities, as well as those of enterprises in technical innovation. Support shall also be given to chief enterprises to form organizations in order to promote the innovation of middle and small-sized enterprises (SMEs). The government's role is to support organization and cooperation.
- To strengthen the country's basic research, formulate a ten-year plan on basic research, and design a batch of basic science research centers. Basic research and applied research will be integrated in the future to shift the focus to greater application rather than theory.
- Improving training for talents was especially stressed in the statement. This is due to increasing restrictions imposed by the West, especially the US, on Chinese students in the fields of science and engineering.

- The security of industrial and supply chains was highlighted. It was reiterated that the country must possess necessary core technologies to avoid external bans and safeguard national development.

Such policies above are all related to the intense technological competition between China and the US since 2018.

Explaining the systematic meaning of “demand-side management”

- Boosting domestic demand and forming a strong domestic market are the basis of “demand-side management”.
- Arrangements will be made to guide consumption include raising personal incomes and expanding middle-income groups by promoting employment and optimizing the income allocation structure; and reducing the pressure of housing, education, medical care, pension, childcare and so on through increased public expenditure. These measures aim to raise peoples’ incomes, so they are able and willing to consume.

Security and stability are the major policy aims

- The meeting clarified that tackling problems related to seeds and farmlands are essential to germplasm resource security and food security.
- Housing issues in major cities need to be addressed to ensure livelihoods and social stability.

IV. The influence of opening-up and industrial policies on foreign investment

The overall policies on foreign trade and investment remain unchanged with a statement of continuous “high-level opening up”. The new development pattern based on the “dual circulation” strategy with the domestic circulation as the mainstay does not mean development without foreign investment and foreign trade. It means that domestic demand is the aim of economic activities. The previous economic development model relied on foreign trade for raw materials and terminal markets outside of China. Now, the country will shift its terminal market focus to the domestic market.

Under the premise of maintaining stable policies on foreign trade and investment, focus shall be on the new changes in industrial policies:

- **Breakthroughs in key technologies and enhancement of independent control.** China will lend more support to major industries and implement import substitution. Related industries and enterprises shall pay closer attention to the matter.
- **Boosting consumption as the core value of demand-side management.** There may be greater room for growth in the areas of consumption and improving livelihoods. With the gradual abolishment of administrative restrictions on consumption and purchases, there will be greater room for development in the auto industry, especially for new energy vehicles (NEVs).
- **Opportunities in the digital industry.** The majority of opportunities for developing the digital industry and new infrastructure lies primarily in 5G, big data, and AI.

- **Expansion of investment in manufacturing equipment renewal and technical remodification.** Foreign investments can participate in manufacturing equipment renewal and technical remodification when they don't involve core strategies and technologies.
- **Carbon neutrality.** Areas including new energy, new materials, and energy conservation will benefit.
- **Enthusiastic consideration of joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).** The trend of further strengthening the economic and trade cooperation with Asia-Pacific area has become more obvious. More corporate attention shall be given to cooperation between China and the Asia-Pacific region, especially the linking of industrial chains in Southeast Asia.

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