

China Development Forum 2021

China on a New Journey of Modernisation

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Parallel Session 6- Venue II

China's Economic Dual Circulation and New Opportunities for Multinational Corporations

Moderator:

Chen Changsheng, Director-General, Department of Macroeconomic Research, Development Research Center of the State Council

Speakers:

Bai Chongen, Dean of Tsinghua University School of Economics and Management

George Oliver, Chairman & CEO, Johnson Controls

Xu Xianchun, Director, Tsinghua China Data Center

Alan Jope, CEO, Unilever

Wang Xiaolu, Deputy Director of National Economic Research Institute

Synopsis:

With COVID-19 rampant across the globe, China has launched a dual circulation development approach in which domestic and foreign markets can boost each other, with the domestic market as the mainstay. Characterised by openness, dual circulation is a long-term strategy for China. According to Wang Xiaolu, two prerequisites must be met to enable this new development pattern: First, China must remain open to the world, getting involved in the international division of labor and specialization and continuing to boost international trade and economic cooperation; second, China must rely on domestic demand to achieve economic growth.

Bai Chongen shared insights on the opportunities and challenges dual circulation development will bring to multinational corporations, by analyzing China's domestic consumer market and higher-level opening-up. First and foremost, creating a unified domestic market will enhance the consistency of market standards and regulations and reduce regional policy divergences. In addition, as China's economy is still growing rapidly, so too will domestic consumer demand. Changes in the domestic consumption structure will bring more opportunities to multinational corporations. For instance,

improvements in people's living standards will lead to higher requirements for consumer goods and service quality, and increasing demand for culture, sports, entertainment and similar forms of consumption. The fast-growing consumption demands of younger generations, especially young people in smaller cities and below, will expand the market multinationals can serve. The "silver economy" will see rising demand among the elderly population for goods and medical and health services. Increasing urbanization will also release more consumption potential.

Improving the domestic consumer market's quantity and quality presents challenges for multinationals. Firstly, domestic brands are now better received by young consumers; second, as increasing high-quality consumption makes marketing channels more important, multinationals need to assess how to adapt to China's marketing channels; third, Chinese consumers are now more aware of environmental protection, paying increasing attention to green consumption, especially issues around raw materials and place of origin. Although dual circulation is an open approach, the Chinese government also stresses economic security, so every multinational should consider how to better meet economic security requirements.

Xu Xianchun believes multinationals should not ignore the development of China's digital economy, but instead embrace its opportunities and address its challenges. By stimulating consumption and investment, the digital economy will be an important element of dual circulation. Working to promote the construction of a strong digital market will provide vital support for China's new development pattern. As online channels play a leading role in consumption transformation, the digital economy will release consumption potential, improve consumption capacity and stimulate consumption. Online models break time and space constraints, meeting consumers' need to purchase goods anytime, anywhere. The digital economy will generate more jobs and increase people's incomes, thereby improving consumption capacity. Convenient products and services can better meet demand for upgraded consumption and spur economic vitality.

What's more, digital infrastructure construction has provided new development opportunities for multinationals and improved the efficiency of cross-border trade, which will encourage more multinational corporations to invest in China.

Senior executives from two multinationals at the session said they strongly supported the dual circulation development pattern and expect China to enter a new stage of exciting development. Under dual circulation pattern, multinationals should take advantage of the interaction between China's domestic market and foreign markets to contribute to its next phase of prosperity, including sustainable and inclusive



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development, to thrive with China.

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