and researchers.

- The dynamics between talent and innovation.

Innovation and development both require human resources. A welcoming working environment equipped with proper resources and incentives will attract and retain the appropriate talent, as well as allowing the maximisation of their creativity and innovation to achieve the organic integration of talent, innovation, and industry.

China Macro Outlook >

Growth may be slower

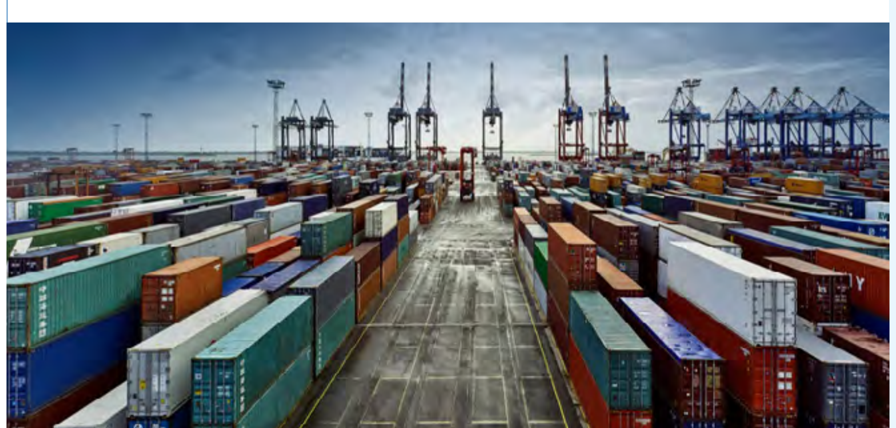
The Chinese economy has been stably rising in Q2. GDP was up 7.9% y/y, and up 11.4% from Q2 2019, with an annualized growth rate of 5.5%, up 0.5 pps from Q1. Industrial output was up 8.9% y/y, and up 13.7% from Q2 2019, with an annualized growth rate of 6.6% y/y, slightly lower than in Q1 but higher than the pre-pandemic 2019 level; specifically, growth in June was 6.5%.

Investment was up 12.6% y/y, and increased 9.1% from Q2 2019, with an annualized growth rate of 4.4% y/y, up 1.8 pps from Q1, and down 1 pps from 2019. In Q2, retail sales of social consumption goods were up 9.5% from Q2 2019, with an annualized growth rate of 4.6% y/y, up 0.5 pps from Q1. In June, trade continued its strong growth. Exports rose 20.2% y/y, comparable to the average growth rate in March-May, while imports rose 24.4% y/y, up 5 pps from Q1.

Producer price growth slowed in June, but we expect it to pick up soon. The ex-factory price index of industrial goods increased 8.8% y/y, down 0.2 pps from May. CPI rose 1.1% y/y, down 0.2 pps from May, contributed by falling meat prices.

The main financial indicators saw diverging trends in June. The societal financing scale switched from large drops in previous months to positive growth of 7.7% y/y. M1 continues its declining growth trend. At the end of June, M2 rose 8.6% y/y, lower than most of the previous months. M1 rose 5.5% y/y, down 0.6 pps from May.

The pandemic shows no sign of vanishing from the world. This situation makes central banks around the world unlikely to exit from lowered interest rates and other stimulus measures. The vaccine situation in developed countries is much better than in the rest of the world. China's strong recovery over the past 12 months is mainly derived from exports. This driving growth factor may be weakened by the economic recovery in developed countries, as they resume their production and reduce their demand for China's exports later this year. China is therefore facing downturn pressures, amid an environment of globally increasing inflation.



Based in Shenzhen, Guangdong Province, China Development Institute (CDI) is a non-governmental and market-oriented think tank which was founded in 1989 on approval from the Chinese State Council. CDI was designated as one of the 25 China Top Think Tanks in 2015.

CDI develops solutions to public policy challenges through broad-scope and in-depth research to help advance China's reform and opening-up. CDI is committed to providing proactive, innovative and practical research and consultation for China's central and local governments and businesses at home and abroad. Its research and consultation is centered on macro strategy, regional economy, urbanization, industrial development, business strategy and decision-making.

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Event >

The RCEP Signing: Common Future and Shared Prosperity Towards Regional Cooperation

The year 2021 not only marks the 30th anniversary of China-ASEAN dialogue and relations, but also witnesses the steady progress of the Regional Comprehensive Economic Partnership (RCEP). Once implemented, the RCEP is expected to significantly eliminate tariffs between its signatory nations, and further promote regional value chains, trade, and intellectual property. The RCEP will help form a more secure and diversified supply chain, while facilitating closer regional economic and social connections.

On June 17th, China Development Institute and KSI Strategic Institute for Asia Pacific jointly held a webinar, bring together public representatives, academics, and professionals in the hope of providing insights into the next steps for regional economic cooperation and the RCEP's

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Experiences of Shenzhen's high-quality development

Shenzhen Guangming Science City, which initially covered just 10 square kilometres, now covers close to 100 sq km and has become a key centre for China's comprehensive national science programme due to its important role in Shenzhen's high-quality development. Dr. Guo Wanda, Executive Vice President of China Development Institute, provided some insights into Shenzhen's high-quality development, using Guangming Science City as an example..

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In his welcome speech, Fan Gang, President of China Development Institute (CDI), said that exchange and cooperation between China and ASEAN think tanks is one of the key aspects of regional cooperation strengthening. The diversity of RCEP members implies both a major challenge and an even greater opportunity for the promotion of regional connectivity. In-depth research and suggestion from think tanks of RCEP member nations is required to ensure that RCEP can truly facilitate the coping of global economic uncertainties and pandemic induced socio-economic problems.

RCEP: where it is now and the challenges ahead

Affected by the resurgence of the pandemic, global economic growth remains sluggish and exhibits great regional variations. With FTAs in the RCEP region, new market demand and economic growth poles has been created, which is becoming an important driving force for Chinese and ASEAN enterprises' battle against the pandemic induced crisis. In particular, the signing of RCEP will improve the trade and investment environment in the region, while securing regional supply chain and regional value chain, relieving the external economic pressure faced by member nations, and ultimately achieving steady economic recovery. At the same time, the subsequent implementation and timely upgrading of RCEP will proceed with a number of challenges, such as the development variations, the complexity of interests and the different domestic legal approval processes of member states, the overlapping of existing FTAs in the region, and the coordination of interests between regional powers. It is necessary to gradually promote the further deepening and expansion of RCEP with multilateral negotiation.

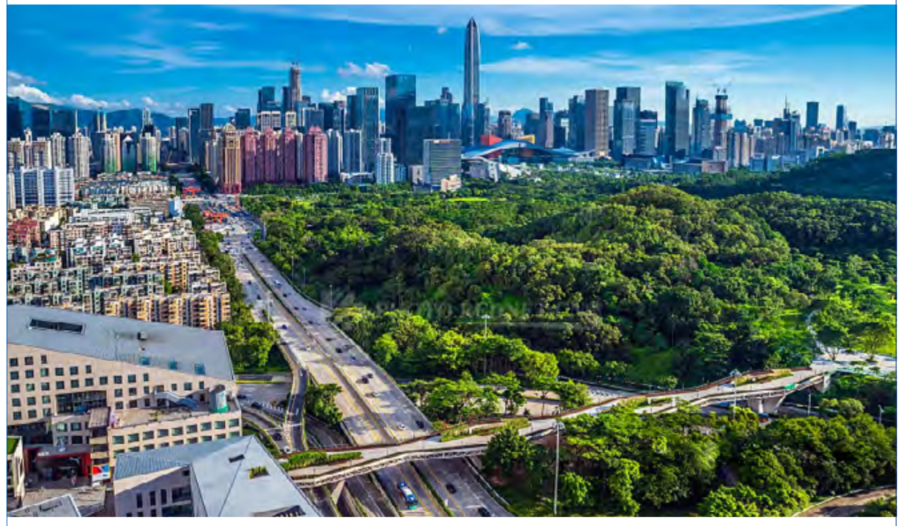
Future directions for China and ASEAN cooperation under the RCEP framework

First, further expand communication channels, enhance mutual understanding and expand areas of exchange and cooperation; second, seize the development opportunities posed by digital economy, jointly carry out innovative collaboration in the fields of e-commerce, smart city and big data etc., while creating employment for the local people; third, based on the preferential policies in RCEP and the principle of optimal allocation of resources, Chinese and ASEAN enterprises can carry out purchase, production and sales of raw material within member nations, expand trade and investment exchanges, and promote the formation of a closer and more competitive regional industrial chain and supply chain partnership; fourth, timely take into account of sustainable development of RCEP region, strengthen cooperation in non-traditional security issues such as environmental protection, poverty alleviation, climate change and green development, further strengthen dialogue and communication, and jointly promote the construction of the green economic partnership.

The relation between RCEP and Belt and Road Initiative

RCEP plays an important role in the coordination of cross-border trade and investment rules, while Belt and Road Initiative (BRI) has an important impact in the advancement of infrastructure construction; therefore, the two are rather functionally complementarity. In the future, RCEP should give full play to its advantages of inclusive rules in the fields of trade, investment and intellectual property, so as to provide experience and reference for the better promotion of BRI. At the same time, we can give full play to the integrated effect of policy coordination, connectivity, financial cooperation and cultural exchanges etc. of BRI, promote the early implementation of RCEP, promote regional trade and investment growth, eventually providing a more open and prosperous regional market for Chinese and ASEAN enterprises.

Experiences of Shenzhen's high-quality development



High-quality development implies the adoption of higher standards and tougher requirements than standard processes, which in turn warrant a transition from investment-driven to innovation-driven development. Guangming Science City exemplifies the new model of innovation-driven development, thanks to its integration of basic scientific research and applied scientific development. Such development has been advanced through the convergence of industry, innovation, investment, and policy, allowing the construction of modern industrial systems, the reform of older systems and mechanisms, and the construction of open and inclusive innovation methods.

High-quality development also requires new development phases, new development values, and new development patterns:

- Four decades after its "reform and opening-up", China has transitioned from a traditional production factor intensive economy to a knowledge and science-based production factor intensive development phase.

- The main development value is now the idea of being people-centred, in a population that aspires to live better, higher quality lives.

- In addition, high-quality development is a prerequisite for smooth "internal and external dual circulation" – the new development pattern that was recently proposed by the central government.

The following four types of dynamics have been critical to Shenzhen's dedication to high-quality development; they may thus also serve as lessons and inspirations for the rest of the country:

- The dynamics between the government and the market.

- The market is the main driver of growth, which makes it important to let the market play its pivotal role of resource allocation effectively. The government can, however, achieve systemic innovation to better serve as a facilitator of technological innovation, with the former being the precursor of the latter.

- The dynamics between basic science research and industrial innovation.

Guangming Science City offers an example of basic science research, which requires government investment and guidance, propelling industrial development by means of research applications developed through interaction and collaboration among large-scale science facilities, universities, R&D institutions, and top-tier private companies.

- The dynamics between "opening-up" and independent research.

Key technologies cannot be given or bought, instead needing to be developed through independent research; however, this does not mean working behind closed doors, but instead adhering to the principals of opening-up by attracting world-leading scientists