

# Ambitious plan to boost rural consumption

Consolidation of logistics, building distribution centers, bolstering e-commerce all key aspects of joint policy document

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As China seeks to narrow the urban-rural consumption gap, the latest move to bolster county-level markets and stimulate rural consumption will introduce more quality goods and services, advancing supply-side structural reform.

Consumption remains a pillar of China's long-term economic growth. As rapid growth continues in rural areas, 17 central government departments, including the Ministry of Commerce, the Ministry of Agriculture and Rural Affairs and the State Post Bureau, released a joint policy document in mid-June detailing improvements to rural logistics and infrastructure.

Under the new policy, the government will deploy more resources in building a modern rural circulation system during the 14th Five-Year Plan (2021-25), upgrading informatization services and related infrastructure and pushing the standardization of commercial goods.

Rural China's potential derives from its huge population, rising incomes, proliferation of e-commerce platforms and new demands, said Liu Decheng, director general of the Ministry of Commerce's Department of Circulation Development.

Faced with the pandemic and an increasingly complex global economy, boosting rural consumption is a hot topic for government and domestic and global companies, said Ren Xingzhou, former director general of the Institute for Market Economy at the Development Research Center of the State Council, China's Cabinet.

"It's a practical way to boost consumption and strengthen the industrial chain, facilitating China's dual-circulation development," she said.

Proposed by the central leadership, dual-circulation has emerged as an overriding economic theme. Innovation, opening-up and boosting domestic demand are priorities under the 14th Five-Year Plan, which views domestic circulation as an economic mainstay, and domestic and international circulation as mutually reinforcing.

Because rural residents are less burdened by mortgages, rent, and loans than their urban counterparts, their relative consumer confidence is higher, said Ma Yu, a researcher at the Chinese Academy of International Trade and Economic Cooperation.

The individual GDP of China's top 38 counties reached 100 billion yuan (\$15.64 billion) last year, with six surpassing 200 billion yuan. The GDP of Kunshan and Jiangyin counties exceeded 400 billion yuan, according to Chinese financial media outlet, Yicai, and last year, per capita disposable incomes in Yiwu city, China's largest small commodities distribution center, reached a record 71,210 yuan.



SHI YU / CHINA DAILY

Demand in rural areas has diversified. Expenditure on leisure, entertainment, healthcare and medical services now make up growing proportions of overall annual consumption, said Zhang Yongjun, a researcher at the China Center for International Economic Exchanges.

Efforts to promote dual-circulation through openness will not only stimulate rural consumption, but will also encourage foreign companies to introduce more goods and services to these areas, he said.

Per capita rural disposable incomes surged 6.9 percent last year to reach 17,131 yuan, according to the National Bureau of Statistics.

Under the new policy, the government will focus on building commercial service and logistics centers to unleash consumption potential.

Additionally, it will help transform family-run shops into chain stores at the village level.

Vice-Minister of Commerce, Wang Bingnan, said that the country will further develop express delivery services and the distribution of agricultural products, depending on local circumstances.

"There will be no unnecessary

low-level construction, and no rural businesses will engage in disorderly or unfair competition," he added.

Rural retail sales totaled 5.3 trillion yuan last year, up 26.1 percent since 2015, and official data showed that rural consumption has been growing faster than urban consumption for the last eight years.

In addition to integrating express delivery services and strengthening promotion of agricultural products, the government will help transform and upgrade rural outlets, enhance the integration of daily services with businesses and expand the availability of high-quality goods and services, Wang said.

New commercial centers will be developed and large-scale enterprises will be encouraged to set up in towns.

The document highlighted the importance of modern logistics and the need to explore modern information technologies like big data,

cloud services and blockchain to ensure integrated development.

Impoverished areas will receive infrastructure support, and deploy e-commerce to expand sales channels. Areas with mature infrastructure will be incentivized to industrialize agricultural e-commerce to increase farmers' incomes and bolster spending.

Li Guoxiang, a researcher at the Chinese Academy of Social Sciences' Rural Development Institute, said that online retailing has transformed rural supply chains and accelerated consumption.

As infrastructure improves, and big e-commerce platforms target rural customers, he said more high-quality goods become available.

The central government has pressed ahead with an initiative to bolster rural e-commerce, with measures to develop logistics, public services and training for farmers.

The new policy complements a

June 1 government notice about a pilot county-level e-commerce program, supported by a centrally-financed fund.

Issued by central government branches, including the Ministry of Finance, the Ministry of Commerce and the State Council Leading Group Office of Poverty Alleviation and Development, the notice said authorities should prioritize efforts to develop a better business environment for rural e-commerce to support poverty reduction and rural vitalization.

State Post Bureau spokesman, Hou Yanbo, said that the government will encourage service providers to cooperate on improving efficiency and lowering costs.

The bureau will continue to promote the construction of rural e-commerce distribution stations, 2,084 of which had been built in villages and towns across China by the end of May.

## Policy digest

### Counties urged to avoid high-carbon building

Counties across the country have been asked by policymakers to avoid uncontrolled expansion and high-carbon emission construction projects as the nation works to achieve its ambition to curb such emissions.

A guideline issued by 15 government departments, including the Ministry of Housing and Urban-Rural Development, in early June has made clear the specific requirements for green and low-carbon construction in the counties.

Population density is one of the key indexes for curbing carbon emission.

According to the guideline, the population density for county areas, after their construction projects are completed, should be kept between 6,000 and 10,000 people per square kilometer.

"The construction of county towns should be arranged in an orderly manner and reasonably rolled out, not only to prevent blind, high-density and high-intensity development, but also to prevent disordered expansion," the guideline said.

New buildings in counties should be constructed in safe and proper places, avoiding areas prone to natural disasters such as floods, earthquakes and landslides, it said.

The height of residential buildings in counties should be restricted and align with local fire rescue capabilities, the guideline said.

In these counties, new residential buildings should be six stories on average and, in principle, no higher than 18 stories, it added.

### Measure aims at child, elderly care services

Central government departments have issued an action plan to help the country further improve infrastructure conditions for elderly care and child care services.

The National Development and Reform Commission, the country's top economic planner, said on Friday that by 2025, more efforts will have been made to promote standardization in the construction of facilities, enhance the ability to support those most in need and increase the number of inclusive services.

The NDRC, along with two other central government bodies, jointly released an implementation plan on boosting senior care and child care services.

China will build a slew of child care service institutions, expand the supply of services that cover the majority of the public and explore new models such as platforms for family child care sharing, the plan said.

To make cities more child friendly, the plan supports the construction of facilities for extracurricular activities centering on children's natural education, science and technology to boost their quality development.

The plan also supports the renovation of public spaces and facilities — such as urban neighborhoods, roads, communities, schools, medical institutions, parks, libraries, green spaces — to make them more convenient for children.

For older people, the country will build a standardized home-based elderly care service network in grassroots level communities, build or renovate State-run senior care service institutions and support medical institutions in efforts to combine elderly care with medical treatments, the plan said.

### Water quality improves over first five months

The country's water quality improved during the first five months of the year, according to data released by China's Ministry of Ecology and Environment.

Surface water quality in China is divided into five classes, with Class I being the best and Class V being the worst.

Data shows that 81.8 percent of surface water was graded Class I to III in the January-May period, up 1 percentage point from the same period last year.

Meanwhile, water graded Class V fell 0.7 percentage points to 2.1 percent during the same period.

ZHANG YUNBI

# Increasingly, lower-tier cities in China becoming target markets

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Operating businesses used to be easy for many senior executives in China two or three decades ago.

They received orders to carry out work from both their China-based companies and their headquarters in global cities such as Munich, Chicago and Tokyo. Then, they would sell products in major Chinese cities and ship others across the world. Many of them had more time to enjoy their morning coffee and afternoon tea during that period.

Today, this management style would be considered insufficient.

Along with China's fast economic growth and vast domestic market, many of these managers and their global CEOs can't stop thinking about how many lower-tier cities

and county-level markets their products have yet to reach every time they travel within or visit the country.

Many corporations have already changed their operational focus from serving the demand of 80 million residents in China's top-tier cities and the country's more than 400 million middle-income earners, to fiercely competing with both their Chinese and global rivals in lower-tier cities and counties, especially in the country's eastern region.

In addition to building brick-and-mortar stores in Chinese counties and rural areas, the executives of global companies said they are increasingly relying on e-commerce channels, digital technology and platforms, as well as localized products and services, to promote their businesses.

GLP Group, a logistics and industrial infrastructure provider in Singapore, plans to build 100 cold storage facilities across China. Many of them will be located in counties and rural areas by the end of 2025, said Lu Yanjing, vice-president of Global Freezer Services, a subsidiary of GLP that operates 400 logistic and industrial parks, innovation parks, data centers and office facilities across China.

"It is vital for us to continue to support supply chains in China's rural areas to transport more agricultural products to cities directly," she said.

GLP had finished building 12 cold storage facilities in China by the end of last year. Their total designed operational space is 2 million square meters, Lu said.

Willie Tan, chief executive officer

of Luen Thai Retail and Luen Thai Enterprises — two business arms of Luen Thai Group Ltd, a Hong Kong-headquartered, family-owned conglomerate with vast business interests in the Asia-Pacific region — said the company has set a goal of running 400 superstores for Skechers, the US footwear brand, across the Chinese mainland by the end of this year.

Skechers USA formed a joint venture with Luen Thai called Skechers China in 2007 to sell footwear in China. Luen Thai invested 1 billion yuan (\$154 million) to build a logistics center in Taicang, Jiangsu province, in 2017.

"The market in the Chinese mainland includes not only first-tier cities, but also lower-tier cities, counties and rural areas, and these markets are developing fast. We

are moving gradually to those places by adding investment," Tan said.

Li Zibin, chairman of the China Association of Small and Medium Enterprises in Beijing, stressed the importance of lower-tier markets.

"Even though the GDP of many county-level economies is relatively small, they produce a variety of products and they have worldwide influence," Li said.

A growing number of Chinese counties have emerged as the epicenters for various goods in the world. For example, Zhuji and Shengzhou, two county-level cities in Zhejiang province, are major suppliers of socks and ties, respectively, to world markets, according to information released by the General Administration of Customs.