

The Information Office, International
Department of the CPC Central Committee

FEBRUARY, 2019

China insight





Students of a primary school in Baiyun Township of Rongshui Miao Autonomous County, south China's Guangxi Zhuang Autonomous Region

For the People

Improving people's livelihood has been the priority of the agenda of the Chinese Government

By Lan Xinzheng

Wang Yongnian, an 87-year-old resident in the Jiayinglu Community in Hongkou District, Shanghai, receives day-time care from a community elderly care center at a resident service station, which also has an activity room, a healthcare center and a dining hall. He is satisfied with the services provided by the station. There are five such stations in the community, and 35 in the entire district. Residents there can enjoy convenient and quality services within a distance of around 15-minute walking.

In 2018, during the annual sessions of the National People's Congress (NPC) and the Chinese People's Political Consultative

Conference National Committee, also known as the Two Sessions in China, many policies related to the enhancement of people's livelihood were established.

This year, as the Two Sessions opened, there is a noticeable improvement in people's livelihood, with a more pleasant living environment, better medical and elderly care services and more stable jobs under a more reliable social security system.

First priority

Ensuring the people live a better life has always been the pursuit of the Communist Party of China (CPC) and the

Chinese Government.

Early in 2013, in his second year as general secretary of the CPC Central Committee, Xi Jinping stressed the importance of pursuing progress while ensuring stability and improving people's living standard.

"The CPC seeks happiness for the Chinese people," Xi said at an NPC panel discussion. "Whatever issues the people are unhappy about or dissatisfied with, we must work hard to solve them."

The coherence of this plan has been achieved through various policies. At the First Session of the 13th NPC last year, Xi emphasized taking more concrete measures in ensuring and improving people's living standard, strengthening and developing new approaches to social governance, winning the battle against poverty, promoting social fairness and justice, and making steady progress in ensuring people's access to childcare, education, employment, medical services, elderly care, housing and social assistance.

Looking at government work reports delivered by the premier of the State Council,

China's cabinet, to the NPC in recent years, a large part of the content has been devoted to policies surrounding people's livelihood. One of the fundamental purposes of China's economic development is to enhance people's livelihood and welfare.

A combination of measures

The year 2018 not only marked the 40th anniversary of China's reform and opening up, but also the first year of implementing Xi Jinping Thought on Socialism With Chinese Characteristics for a New Era. According to the Report on the Work of the Government 2018, multiple measures, such as boosting employment, increasing incomes, strengthening the social security system, developing fair and high-quality education and carrying out the Healthy China 2030 initiative, were introduced to improve people's living standard.

Faced with new challenges in economic development in 2018, the Party and the Central Government ranked improving employment as a top priority. The State Council emphasized stable employment in a circular, proposing a series of policy measures, such as supporting the stable development of enterprises, boosting employment and business startups, launching a large-scale vocational skill training initiative, and offering timely assistance to unemployed people and laid-off workers. In addition, the government put forth vari-

ous programs to address employment for university graduates and other targeted groups. One of the initiatives aims to select graduates to work at the community level throughout the country. The policy of secured loans for entrepreneurs has also been improved to create more jobs by encouraging business startups.

In 2018, the government continued to raise basic pension payments for retirees and basic pension benefits for rural and non-working urban residents. China is committed to raising the personal income tax threshold, creating expense deductions for items like children's education and treatment for serious illnesses.

Over the past year, China has promoted the integrated development of urban and rural compulsory education and continued to tip funding for education toward poor areas and weak links to ensure that everyone has equal access. By raising basic medical insurance and serious illness insurance benefits, strengthening medical staff training and developing new ways of conducting food and drug oversight, the government aims to maintain the physical and mental health of its people. Environmental protection law enforcement has been enhanced and various pollution control methods adopted, ensuring further improvement in the working and living environment of Chinese residents.

Governments at all levels have strengthened efforts to meet people's basic ▶▶



523.92 million

Number of people participating in basic pension insurance program for urban and rural residents in 2018, an increase of 11.37 million

2,663

Number of higher learning institutions in 2018

13.61 million

Number of newly added urban jobs in 2018

4,050,000 km

Total length of roads in rural areas by the end of 2018



College graduates seek jobs at a job fair in Wuxi, east China's Jiangsu Province, on January 19



A baby is vaccinated in a disease control and prevention center in Anping County of north China's Hebei Province on April 25, 2018

living needs, steadily raising urban and rural subsistence allowances, social assistance benefits and benefits for entitled groups, so that care and compassion can reach everyone. The government has stepped up targeted poverty alleviation, and more has been done to develop local industries, education and healthcare. Measures have been tailored to individuals and households to ensure that seniors and people with disabilities or serious illnesses receive the assistance they need.

Government expenditure in 2018 was 21 trillion yuan (\$3.14 trillion). The structure of budgetary spending showed that more financial allocations were used for the public good to benefit people, with spending inclined toward innovation-driven development, agriculture, rural areas and its residents, and the improvement of the living standard.

Better life

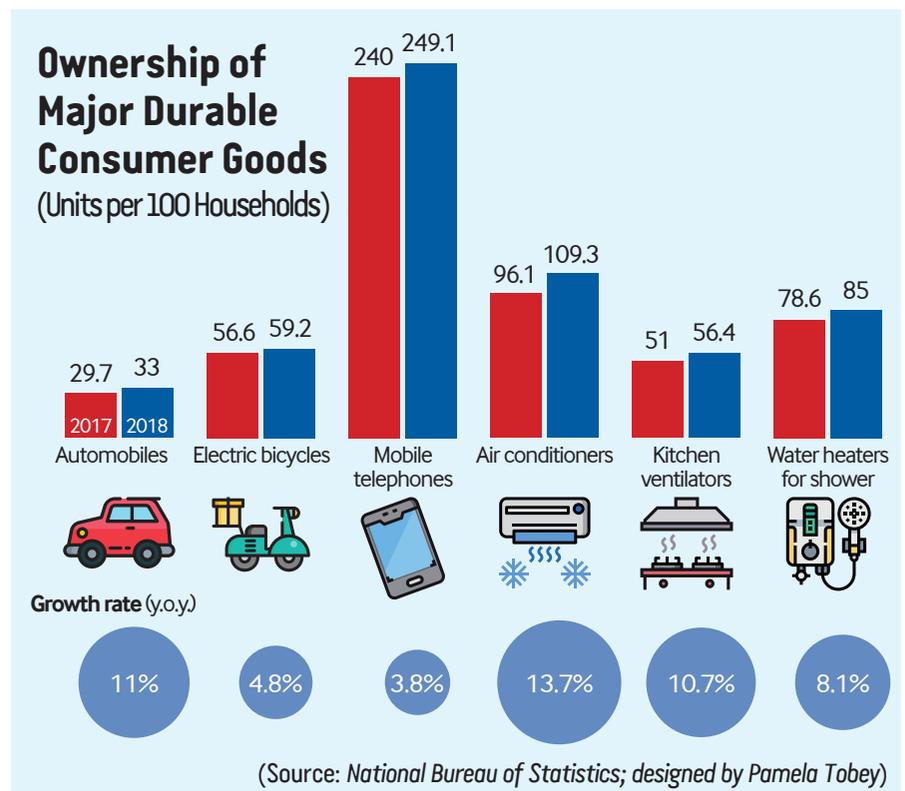
As Wang proclaimed his satisfaction with life in the community-based care center, Lu Yihe and his family, who live in Lianzhang Village, Lianjiangkou Township, Yingde City in south China's Guangdong Province, began a new life after rising out of poverty. Back in 2016, they were still poverty-stricken.

With the implementation of the poverty alleviation policy and the increased spending on improving people's living standard, Lu began his career in the farming and breeding industry with the help of the local government. In 2018, Lu and his family achieved

an annual income of nearly 100,000 yuan (\$14,965), nine times that of 2016, and were successfully lifted out of poverty.

Official data from the National Bureau of Statistics shows that China's 2018 GDP reached 90.03 trillion yuan (\$13.28 trillion), indicating economic progress and social

stability. China's per-capita disposable income was 28,228 yuan (\$4,165) in 2018, up 6.5 percent year on year in real terms after deducting price factors. Compared to 2017, more than 13.86 million rural residents have been lifted out of poverty in 2018. **C**





Zhang Li, who heads a local agricultural cooperative, uses his phone to adjust the temperature in a greenhouse for vegetables in Taiyuan, Shanxi Province, on January 22

Strength From the Soil

Agriculture and rural development get fresh policy support By Li Xiaoyang

From the rise to the recent ease of Sino-U.S. trade frictions, the soybean has been a hotly contested topic throughout the period. While affirming that the two countries are important partners in the soybean trade, China has highlighted the importance of increasing soybean output at home as it strives to boost the domestic agricultural sector.

Soybean planting is only one of the many issues covered by the No.1 Central Document released on February 19, the first policy statement of the year jointly released by the Central Committee of the Communist Party of China and the State Council. It keeps issues relating to agricul-

ture, rural areas and farmers' welfare as the top agenda, for the 16th year in a row.

"The toughest task facing China in terms of eradicating poverty lies in these issues," Du Zhixiong, Vice Director of the Rural Development Institute at the Chinese Academy of Social Sciences, told *Beijing Review*.

A sound agricultural sector and steady rural development are essential for underpinning the economy and taking the nation closer to its goal of building its society into a moderately prosperous one by 2020, the document says.

As it is introduced, the output and efficiency of agricultural production will

be enhanced by harnessing technology and optimizing the agricultural structure. Poverty will be tackled and the environment in rural areas improved. In addition, ensuring a stable supply of green and high-quality agricultural products gets priority as well as improving the livelihoods of rural residents.

Han Changfu, Minister of Agriculture and Rural Affairs (MARA), told a press conference on February 20 that agricultural and rural development registered steady progress in 2018, which provided strong support to China's sound socio-economic growth. "Since China is facing stronger downward economic pressure ▶▶



Women from the Miao ethnic group produce embroideries as souvenirs for tourists in Fenghuang County, Hunan Province, on February 18

and a changing external environment with mounting risks and challenges, it needs to maintain its focus on agriculture and enable it to further contribute to domestic economic growth," he said.

Focus on modernization

According to Zhang Hongyu, Vice President of the China Institute for Rural Studies, Tsinghua University, this year, a priority for the authorities is to keep grain production above 600 million tons to ensure grain security for the large population. Official data shows in 2018, total grain output reached 658 million tons.

The policy document emphasizes securing the supply of major agricultural products and boosting production of high-quality agricultural products or

those in short supply, such as soybeans and dairy products. The target is to keep grain-growing areas at 110 million hectares and arable land area over 120 million hectares. By 2020, over 53.33 million hectares of high-standard farmland will be developed.

Farming will be modernized to improve agricultural output and efficiency. Liao Xiyuan, an official with the MARA, said technological innovation is key to promoting agricultural modernization. The document stresses making breakthroughs in key agricultural technologies and independent innovation in areas such as smart agriculture, heavy agricultural machinery and green agricultural inputs.

It also promises a new subsidy policy to better protect farmers' interests and encourage financial institutions to lend more

to agribusinesses. New agricultural production entities such as household farms and agricultural cooperatives are to be developed.

Du stressed that individual agricultural households should also be supported. "Individual producers need to be connected more closely with cooperatives, leading enterprises and service providers in production chains so that farmers can get more benefits," he said.

While the rural economy is restructured, tourism and leisure agriculture, combining sightseeing and recreation, are being promoted to boost the rural economy. MARA has developed nearly 400 demonstration counties with rural sightseeing and recreational facilities nationwide. Last year, tourists paid 3 billion trips to rural destinations, according to official data. The



658 million tons

Total grain output in 2018

13.86 million

Number of people lifted out of poverty in 2018

14,617 yuan

Per capita disposable income of rural households, up 8.8 percent

promotion of modern agricultural product processing, which has industrialized agricultural produce, also augments farmers' profits by improving the value added of their products.

"We need to fully utilize the natural and cultural resources of rural areas to diversify local economic drivers, develop full-fledged product-processing chains, and tap into the potential of agriculture for deep integration of rural industries," Ye Xingqing, a researcher with the Development Research Center of the State Council, said.

Improved rural life

At the Central Economic Work Conference in 2017, the annual meeting to set the national economic agenda, the authorities said preventing major risks, pollution control and targeted poverty alleviation would be the "three tough battles" for the next three years.

The 2019 policy document also emphasizes the importance of poverty alleviation to advance rural residents' well-being. In 2018, 13.86 million people were lifted out of poverty, according to the National Bureau of Statistics. To create a moderately prosperous society in all respects by 2020, there will be further policies to improve the living standards of all rural residents living below the national poverty line of a 2,300-yuan (\$338) income annually.

In extremely poor regions, residents will be given financial assistance, while families living in inaccessible areas with little earning opportunities will be relocated. Measures will be taken to nurture talent in such areas.

According to the National Development and Reform Commission, 100 million rural residents will become urban dwellers by 2020. However, the relocated people will be allowed to keep their rural land even af-

ter they become registered urban dwellers.

To prevent rural residents from slipping back into poverty, rural industries with local features will be started to diversify farmers' income channels. E-commerce has a major role in this. The boom in e-commerce has created new opportunities for rural development and both rural income and consumption have risen.

According to Ministry of Commerce spokesperson Gao Feng, domestic online sales of agricultural products totaled 230.5 billion yuan (\$34.4 billion) in 2018, up 33.8 percent from the previous year. Online retail sales amounted to 1.37 trillion yuan (\$201.47 billion) in rural areas with a year-on-year growth of 30.4 percent, indicating the consumption potential of rural buyers.

Developing the digital economy in rural areas will support agricultural development and reduce the urban-rural income gap, Qu Dongyu, Vice Minister of Agriculture and Rural Affairs, said.

Poverty alleviation also requires new jobs and vocational training for rural labor forces, the document notes. New businesses will be encouraged and supporting platforms built up in rural areas.

Apart from raising the rural income, measures will be taken to upgrade rural life. Infrastructure, including roads, grids and logistics networks, will be improved, pollution treatment enhanced, and public services such as education, culture, healthcare and social security boosted.

A more open market

Foreign investment in various sectors, including modern agriculture, is being encouraged, according to a draft list of encouraged industries for foreign investment released on February 1.

The policy document says agricultural cooperation with countries involved in the

Belt and Road Initiative will be enhanced. Imports of agricultural products in short supply domestically will be expanded and import channels diversified. More multinational agricultural corporations will be fostered.

According to Jiao Shanwei, Editor in Chief of the grain portal Cngrain.com, China has been opening wider to foreign investors in the agricultural sector over the past two years. "Foreign enterprises' participation will help modernize the agricultural sector, achieve sustainable development of land, and improve the quality of domestic agricultural output," he said.

China produces only 16 million tons of soybeans domestically every year while the domestic demand can reach 110 million tons annually. Of this, about 90 percent has to be met through imports, making China the world's largest soybean importer, according to official data. The document says domestic soybean production will be expanded by increasing planting areas.

Yin Ruifeng, an analyst with MARA, said rice and corn produce a greater net profit than soybean. The output and quality of domestic soybean can be improved only by harnessing advanced technology.

According to the soybean rejuvenation plan proposed in the document, planting will be increased in the traditional soybean-growing regions of Heilongjiang, Anhui and Henan provinces. The target is to expand the soybean-planting area to 9.33 million hectares and increase the soybean self-sufficiency rate by 1 percentage point by 2020.

According to Han, China's soybean supplies will still partially rely on imports given its large domestic demands.

"Along with other sources, the United States will continue to be an important partner of China in terms of the soybean trade," he said. **CI**

5,535 billion yuan

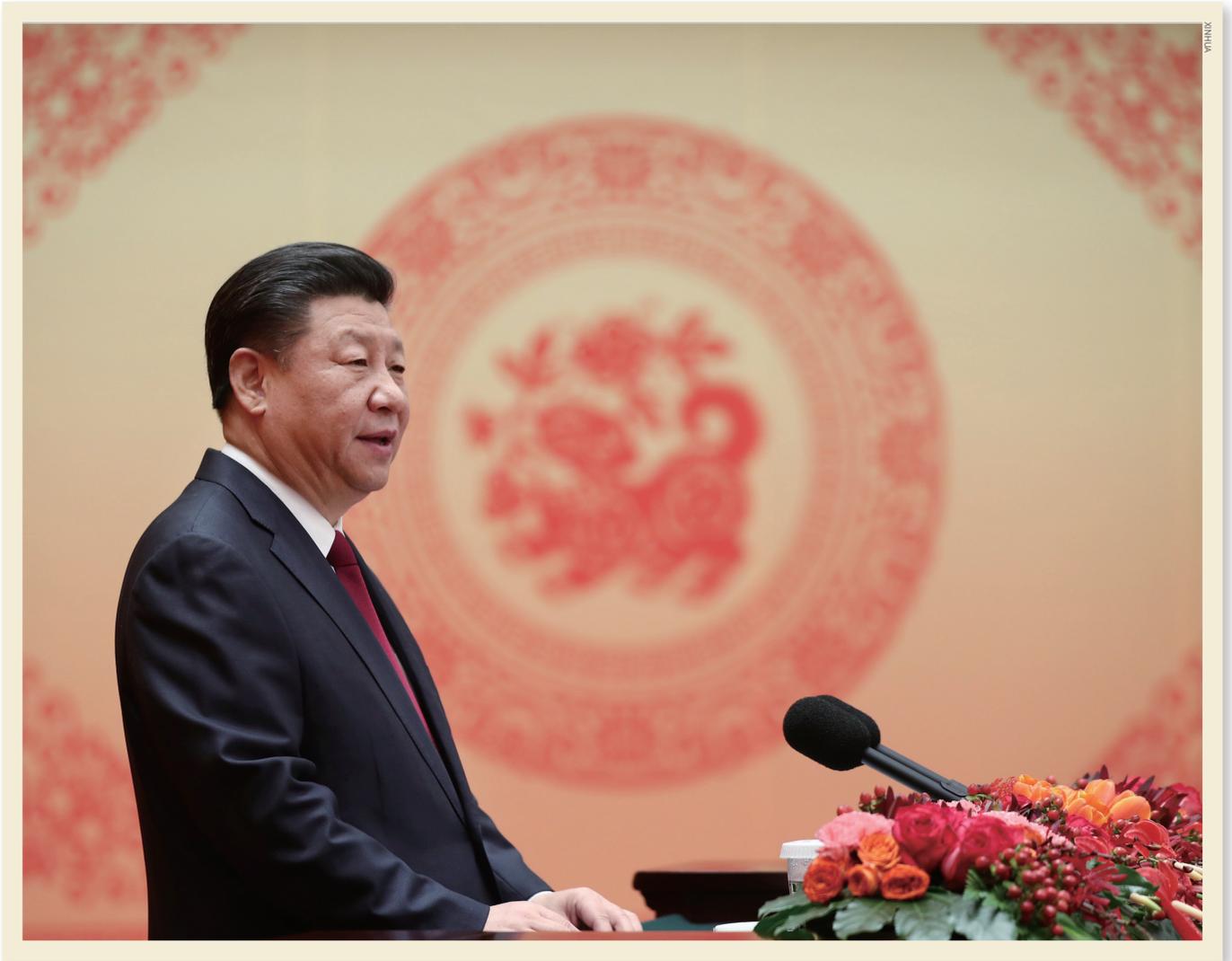
Retail sales of consumer goods in rural areas, up 10.1 percent

1.37 trillion yuan

Online retail sales in rural areas, up 30.4 percent

230.5 billion yuan

Domestic online sales of agricultural products in 2018, up 33.8 percent



President Xi Jinping addresses a Spring Festival reception at the Great Hall of the People in Beijing on February 3

Unchanged Feelings

The Spring Festival in China continues to transition, but the theme of family reunion and love remains By Wang Hairong

The overture to the 2019 Chinese Lunar New Year—the Year of the Pig—flowed into Beijing weeks before the actual holiday, which falls on February 5 this year, the first day of the New Year according to the lunar calendar. Strings of red lanterns hang from the sides of light poles, brightening up

the otherwise drab winter scene and igniting the holiday spirit, while shops are all festooned with elaborate holiday decorations, either for adornment or sale. On January 20, the Beijing Municipal Government kicked off colorful holiday cultural activities with a skating performance at the Summer Palace ice rink.

Despite this enticement, many people residing in the capital are anxious—like migrating birds pending their annual journey—eager to rush back to their hometowns, even if it means enduring extra hassles such as scrambling for travel tickets, shopping for gifts, packing and being stuck in traffic jams.

Liu Zhiwei, an electrical engineer in Beijing, is ready to go. "I am from Shandong Province. According to our traditional customs, the Lunar New Year is about family reunion, so we usually return to our parents' home," he said.

Wu Jun, a vegetable vendor in Haidian District in Beijing, is on the verge of returning to his hometown in Xinyang City, Henan Province, with his wife. The couple, both in their 40s, is eager to reunite with their parents and their young son and daughter. "Though it is not far, I am too busy to go back home except for the Spring Festival. The children miss us very much," he said.

Hundreds of millions of people will join the holiday season travel rush. People all over the country are expected to make 3 billion trips primarily for family reunions and some for tourism, according to official estimates.

What draws so many people back to their place of origin? What does the Spring Festival mean to them? How will they celebrate it? Through several interviews, here is what *Beijing Review* uncovered.



Calligraphy for the Chinese character *fu*, meaning good fortune, written by five emperors of the Qing Dynasty are displayed at the Palace Museum on January 8

The natives return

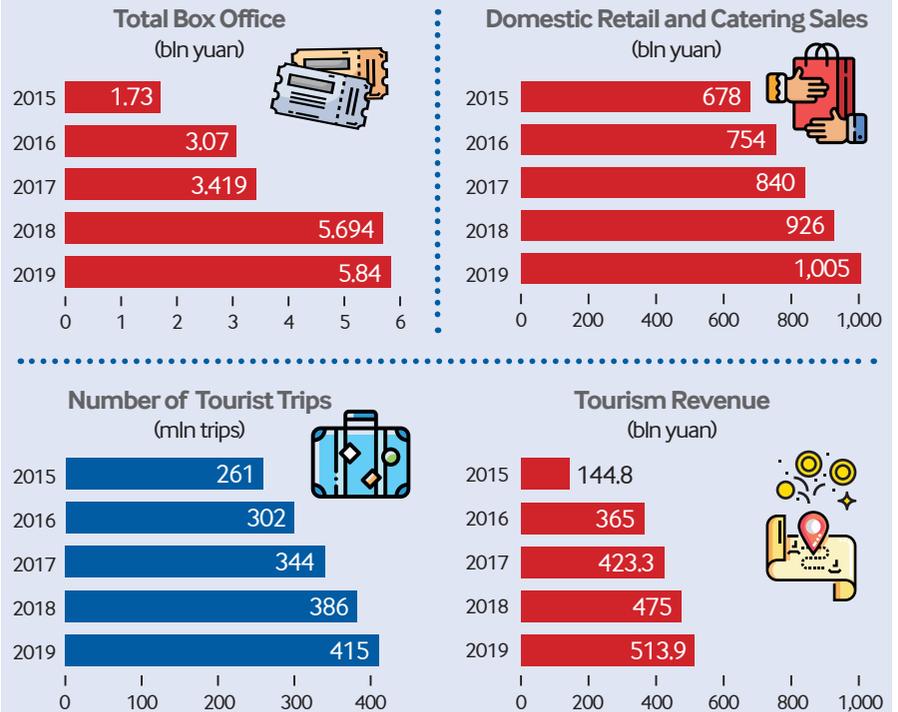
For Zou Bo, the owner of a hostel on Kulangsu Island in Fujian Province, the Spring Festival means a journey back to his hometown Yantai in eastern Shandong and his childhood.

"My fondest memories of the Lunar New Year consist of three things: firecrackers, new clothes and the magical hands of my mother," he said.

Zou, 49, grew up in a village on the outskirts of the city. "The most thrilling thing for boys in the countryside was that they could set off firecrackers during the Spring Festival," he said. "When we entered the last month of the lunar calendar, my family would buy firecrackers for us, which my brother and I treasured very much since life was so difficult that my family did not want to splurge on firecrackers." They usually got 200 firecrackers, he said, and to make the stock last longer, they only set off a few each day.

Back in the 1970s and 80s, new clothes for New Year's Day were hand-made in most rural families. "My mother has dexterous hands, so she made all the clothes for my brother and me. The clothes fit us well and made us look very handsome, winning compliments from relatives and neighbors," Zou recalled.

Numbers From China's Spring Festival Holiday



(Sources: Ministry of Culture and Tourism, National Radio and Television Administration; designed by Pamela Tobey)



A resident of Chongqing Municipality chooses Spring Festival couplets on January 27



A visitor admires a woodcut picture at an event to celebrate the Chinese Lunar New Year in Los Angeles, California, on January 25

"Since others asked my mother to make their clothes for the New Year as well, she would get really busy before the holiday, making clothes until late into the New Year's Eve," he said. "I remember every year on that night, as my brother and I were about to doze off into our dreams, she would still be sewing, with her head bent over. When we woke up on New Year's Day, we would find a stack of new clothes waiting for us in our clean and tidy room. We could not help but marvel at her pair of magic hands."

Although the village has become part of the city during the urbanization process, Zou still enjoys returning to his hometown and connecting with his family and friends from childhood.

For 38-year-old Liu Zhiwei, the Spring Festival means getting closer to tradition. In his hometown, it is celebrated in the traditional way. On New Year's Eve, he and his parents, wife and children usually get together, putting up couplets on door frames and papercuttings on windows. "One year, we even bought a tree laden with oranges to decorate the house, since orange trees promise happiness in the coming year," he said.

In their home, New Year's Eve always

starts with a feast, with fish symbolizing surplus year after year, chicken representing good luck and dumplings signifying reunion, he said. After dinner, they usually watch the Spring Festival evening gala on TV and set off fireworks and firecrackers outside. The restless and excited children will not go to bed until late into New Year's Eve. The next day, they awaken early to the sound of booming firecrackers. They then greet each other, get dressed up and visit neighbors. Children are thrilled to get red packets of gift money. In the ensuing week, the family's schedule is packed with visits to and from relatives, peppered with feasts and rituals to commemorate ancestors, he explained.

For 10-year-old Mu Mu, a fifth grader in Beijing's Haidian District, the Spring Festival is a time to visit his grandparents and get back to nature. Living amid skyscrapers and concrete, he thinks his grandparents' home in the rural area in Liaoning Province is a fun place, even though it's cold because it lacks central heating. He will take his pair of pet parrots along. "Grandpa's home has a heatable brick bed all around, which will keep the birds warm," he said. "There are also

roosters, hens and dogs in the yards to play with, and we can catch fish in the river and climb hills." There are also a lot of firecrackers, he added.

For Lai Fan, a graphic designer in Dazhou City, southwest China's Sichuan Province, the Lunar New Year is a time full of hope and love. "This year is quite special for me, because I just turned 40 and as I enter middle age, my life and work have become more stable. In particular, I am going to move into a new home during the Spring Festival. This is a new start; I feel the coming year is full of hope," she said.

Nevertheless, the deepest impressions that the Spring Festival left on her were those from her childhood. In addition to delicacies such as homemade sausages and glutinous rice dumplings, new clothes, fireworks and dragon dances, she remembers her father rewarding the children for their school performance on New Year's Eve. "My grades were always higher than my elder brother and sister, so I always got the biggest prize," she said. Another thing that she enjoyed was walking along mountain trails to her grandmother's home. "Although the trip was more than an hour by foot and we



Calligraphy enthusiasts write Spring Festival couplets at an activity in Beijing on January 28



A visitor engages in an interactive opera performance at the Palace Museum in Beijing on January 23

had to scale a steep slope, the joy of seeing dear grandma who we hadn't seen for quite a while would always drive away our fatigue," she said. "Besides, we could also pick some early-blooming wild onions by the roadside as a gift for grandma."

Fading traditions

Although the holiday travel rush continues, in recent years, many people feel the flavor of the Spring Festival has begun to fade, which can be explained by a number of factors, such as an improved living standard, the development of Internet technology, urbanization and a faster-paced life.

As hundreds of millions of people take to the road, Liu Meifu, who is in her 70s, goes on with her life as usual. She is going to spend this Spring Festival in Beijing, where she lives with her daughter's family, looking after her grandson.

For her, the Spring Festival is no longer significantly different from any other day. "Nowadays people do not have to wait for the Spring Festival to eat good food or wear new clothes," she said.

She recalled that when she was young, households were rationed several kilograms of meat, eggs and cooking oil

for the festival, more than what they got on regular days, so people looked forward to the holiday to enjoy better food. "We had to queue up and trade coupons for these items. I often had to stand in line for more than an hour," she said.

Her memories of the holiday also include steaming huge buns decorated with red dates and sending them to relatives as gifts. Today, these buns can be bought in supermarkets, and people seldom send them as gifts.

Back in her hometown, the first thing people did on the morning of the New Year's Day was visit neighbors, but in Beijing, neighbors hardly visit each other, she said.

"The emergence of new things has made traditional festival rituals outdated. In the past, we had to give holiday greetings face to face, now we can deliver them by telephone or text message," said Liu Zhiwei. "Previously the festival was celebrated with a lot of fireworks and firecrackers, whereas today, they have been banned in many places to protect the environment. Even the once popular Spring Festival evening gala produced by China Central Television has been criticized by an increasingly nitpicking audience."

Rather than being glued to TV sets, many people have become addicted to their smartphones, sharing moments and virtual red envelopes, said Hu Ziwei, a 22-year-old studying in the United Kingdom.

This year, she plans to celebrate the Lunar New Year's Eve by having a gathering with friends and classmates in a Chinese restaurant in London, dining, drinking and singing. The following day however, she will have to go to class. While studying abroad, she has celebrated New Year's Eve by eating out or making dumplings at home, going dancing, playing cards, occasionally watching the Spring Festival gala or traveling.

"Even if I return to my hometown for the festival, I will no longer feel as care-free as when I was a child. Young adults like me have to face inquiries and pressure from the older generations, such as asking about my dating status and urging me to get married early," she said.

Unconventional celebrations

As people's income rises, their life has become more colorful and their ▶▶



Visitors at the Palace Museum's Spring Festival exhibition on January 8

lifestyle less traditional, said Yi Shuang, a 37-year-old human resources officer native to Beijing.

This year, she is looking forward to a lazy holiday. "I will simply stay at home, read books, watch TV dramas and tidy up the house. Because of fast-paced work and study during the year, a holiday is so precious that I just want to relax," she said. Nowadays, many people are too busy or lazy to follow Spring Festival traditions such as rituals to welcome in and bid farewell to deities or visiting certain relatives on certain days.

Sightseeing has become a relatively new way to mark the Lunar New Year. Li Gejing, 40, cofounder of a business in Beijing, usually travels overseas during the holiday season with family members.

In previous years, Yi Shuang has also taken trips during the holiday. "Travel can reenergize us, enrich our knowledge and give us a lot of wonderful memories. After being refreshed by a tour, I am ready to set new goals for myself," she said.

China's leading online travel agency

Ctrip predicted that Chinese tourists will make 400 million trips, including 7 million to overseas destinations during the week-long Spring Festival holiday



U.S. visual reporter Pamela Tobey shows off her fashionable stuffed pigs in her Beijing home

this year, with Thailand and Sanya City in south China's Hainan Province the most popular foreign and domestic destinations, respectively.

Some of the domestic trips will be made by people traveling to large cities for reunions with family members working or studying there, according to Ctrip. This is a reversal of the traditional Spring Festival travel rush, which is characterized by people leaving large cities to return to smaller ones or to rural areas.

The reverse travel rush is reflected in Ctrip's flight booking data, which showed a more than 40 percent year-on-year surge in flight bookings to metropolises such as Shanghai, Beijing and Guangzhou one week before the Lunar New Year's Eve.

Although the flavor of the Spring Festival may be growing weaker, and ways to celebrate it have been changing, Liu Zhiwei still looks forward to the festival. "Society always progresses and new fashions may become our new traditions," he said.

"But whichever way the celebrations change, for family members living apart from each other, a reunion, even though short, is always precious," Hu said. **C**

(Ji Jing, Li Qing, Wang Yajuan and Ma Miaomiao contributed to the report)



Telecome carrier China Unicom showcases its 5G technologies at the 19th China Hi-Tech Fair in Shenzhen, south China's Guangdong Province, in November 2018

Injecting Impetus

China continues to drive up consumption to boost the economy

By Li Xiaoyang

As China steps into the Year of the Pig, which symbolizes good fortune, it is also striving to achieve prosperity commensurate with its implications. Before the Lunar New Year on February 5, the country unveiled measures to stimulate consumption in 2019, which is expected to more comprehensively draw out the effects of domestic demands to ensure stable economic growth.

The plan, jointly issued by 10 ministerial-level authorities including the National Development and Reform Commission (NDRC) on January 29, focuses on boosting the sales of big-ticket items such as automobiles and home appliances, upgrading domestic consumption, and releasing the potential of urban and rural demands.

With one of the largest markets in the world, China is increasingly moving toward bolstering the domestic economy through its large consumer base given uncertainties in the external market. According to data released by the National Bureau of Statistics (NBS), consumption contributed 76.2 percent to China's GDP growth in 2018, significantly up 18.6 percentage points from the previous year, making it a major driving

force of the economy.

China's per-capita consumer spending reached 19,853 yuan (\$2,954), increasing 6.2 percent year on year in real terms in 2018, obtaining an increase of 0.8 percentage points faster than the previous year, according to the NBS.

NBS data also showed that total retail sales of consumer goods rose 6.9 percent year on year to 38.1 trillion yuan (\$5.6 trillion) in 2018, with on-line retail sales rising 24 percent. Noticeably, total retail sales of consumer goods grew at double-digit rates for the previous 14 years.

According to Wang Bin, an official with the Ministry of Commerce (MOFCOM), consumption is expected to contribute 65 percent to China's economic growth in 2019 with a 9-percent increase in total retail sales of consumer goods, even though pressure facing the consumer market will mount and domestic consumption growth is likely to see a further slowdown.

The medium- to long-term contradictions and risks facing China's economic development may become more prominent in 2019, Wang said, making it difficult to accelerate the growth of consumption. However, the upgrading demands of China's middle-





Visitors view a concept vehicle at an exhibition in Haikou, south China's Hainan Province, on January 10

income consumers still provide great potential for the domestic market. "Consumption will remain the largest contributor to China's economic growth in 2019," he projected.

Car sale boost

The new pro-consumption measures target sectors that saw weaker growth in 2018, giving special attention to the automobile industry. China will push ahead with car replacement, especially in rural areas, improve second-hand car markets and provide subsidies to encourage the purchase of new-energy vehicles (NEVs), the plan says. It also will improve infrastructure facilities such as parking lots and NEV charging stations.

Liu Yunan, an official with the NDRC, said the slowdown in auto sales led to 66.7 percent of the decline in the growth of total retail sales of consumer goods.

Data from the China Association of Automobile Manufacturers showed that the country sold 28.08 million cars last year, down 2.76 percent year on year. "The traditional auto market is on a downward trend, with limited room for growth," Xu Hongcai, Deputy Chief Economist at the China Center for International Economic Exchanges, told *Beijing Review*. He called for efforts to tap into new markets to cushion the slowdown in purchases.

The number of vehicles owned by every 1,000 Chinese people was about 170 in 2018, according to official data, which still lags behind developed economies. Liu said domestic vehicle sales can be

propelled through upgrading car consumption in rural areas by encouraging rural residents who still drive unsafe three-wheel vehicles to buy cars or trucks with subsidies.

Meanwhile, as NEVs become the new craze among Chinese vehicle consumers, they have become a growth driver of the auto industry. According to Dong Dajian, an official with the Ministry of Industry and Information Technology (MIIT), China's production and sales of NEVs are expected to exceed 1.5 million units this year, helping the auto market to register stable growth across the board.

"Considering the growth of China's economy, its ongoing urbanization process, as well as its improving standards for energy conservation and environmental protection, the auto market still has much room for further growth," Dong said.

Smarter, quality consumption

The plan also proposes improving the domestic consumption infrastructure, enhancing the quality of products and services, and optimizing the consumer market.

According to Liu, China's home appliance industry, with the world's largest production and sales volume, is another key driver of the country's consumption growth. Thus, the promotion of green and smart home appliances will push the industry toward upgrading to meet people's demands for higher-quality products and further cutting emissions.

"Once the policy encouraging the purchase of energy-saving and smart home appliances is launched across China, some 150 million appliances are expected to be sold from 2019 to 2021, totaling about 700 billion yuan (\$104 billion)," Liu said.

According to MIIT, China's information consumption reported a rapid increase in 2018, while the total business volume of the telecommunications sector improved 137.9 percent from the previous year.

Measures by Chinese telecommunications operators to increase the speed of Internet connections and cut connection costs have contributed to the rise of domestic information consumption, the ministry said.

According to Dong, China needs to boost information consumption by speeding up the construction of the telecommunications infrastructure and the commercial use of the 5G network.

Following test runs of 5G-equipped buses in some regions, an indoor 5G network will be installed in the Shanghai Hongqiao Railway Station by the end of 2019. In addition, MIIT announced China will move faster to deploy the 5G network and carry out trials for 5G commercial use this year.

"Currently, the 5G industry is experiencing accelerated development around the world. With initial full-fledged network facilities, it is expected that China's 5G terminal chips will be rolled out in the first half of 2019, and 5G smartphones will be launched in the middle of the year," Dong said.

Within five years of commercial deployment in

China, 5G will create an economic output of 10 trillion yuan (\$1.5 trillion) and generate 3 million new jobs, relevant estimates showed.

"Since China has a large smartphone market, the promotion of 5G technology will undoubtedly help propel domestic consumption," Xu said.

Releasing potential

To fully unleash the potential of domestic consumption, both urban and rural markets will be further developed to expand demands and reduce regional disparity. According to the plan, the renovation of old apartments, the real estate rental market, as well as children and senior care services will be promoted to augment urban consumption. Meanwhile, rural areas will strive for faster development of online shopping, e-commerce and tourism.

Consumption growth in rural areas is still hindered by problems such as underdeveloped markets and infrastructure. Therefore, e-commerce will be further promoted to develop new markets in rural areas and improve local consumption, Wang said.

So far, the development of e-commerce has improved rural residents' income, which is crucial for boosting consumption. Official data showed that online sales from rural areas exceeded 1.3 trillion yuan (\$190 billion) in 2018, providing 28 million local residents with jobs.

"Accelerating agricultural modernization is also significant for boosting rural consumption, which can help increase household income," Xu said.

According to NBS data, the real growth of per- ▶▶



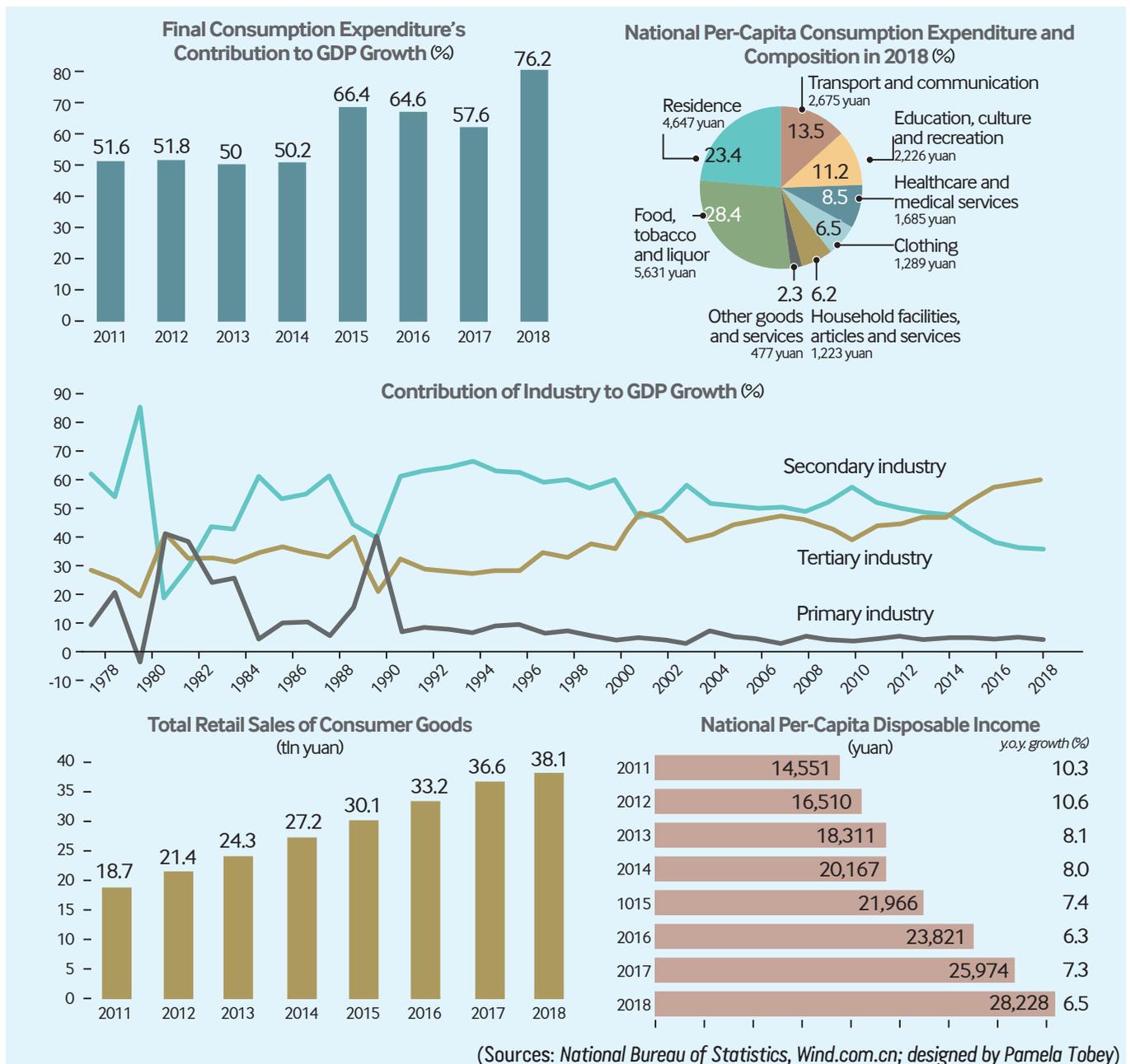
A visitor plays Huawei's AR games at the Mobile World Congress in Barcelona, Spain on February 28

capita disposable income in rural areas was faster than that in urban areas in 2018, suggesting a narrowing urban-rural income gap. China's per-capita disposable income stood at 28,228 yuan (\$4,165) in 2018, up 6.5 percent year on year in real terms. Urban and rural per-capita disposable income was 39,251 yuan (\$5,840) and 14,617 yuan (\$2,174), up 5.6 percent and 6.6 percent, respectively, with price factors deducted.

The income gap between cities is also on the decline. According to a Morgan Stanley report, per-

capita disposable income for households in China's smaller cities was 55 percent lower than that in top-tier cities a decade ago, but in 2017, the gap shrunk to 45 percent and is likely to go down further to 36 percent by 2030.

"Serving as a driving force for economic growth, consumption is also directly driven by economic growth," Xu said. "The key to achieving stable consumption growth is to ensure employment, which will expand the middle-income group and improve the living standards of the low-income group." **CI**



Leaps and Bounds

Digital commerce and new retail point to the future of consumption in China By Michael Zakkour

In 2014, I wrote a book titled *China's Super Consumers: What 1 Billion Customers Want and How to Sell It to Them*. The book explained and examined the development of China's consumer and retail evolution, from the beginning of the reform and opening-up era to the early days of the e-commerce explosion.

Some of the facts and statistics highlighted in the book left casual observers of China, its economy and its development into the second largest economy in the world in disbelief including: nearly 700 million consumers with significant disposable income; 1 billion smart devices in use; social media apps with 1 billion users; the second largest luxury goods market in the world; a digital first/mobile first consumer society; and near universal adoption of digital payments, just to name a few.

In summary, the book told the tale of how the evolution and growth of Chinese consumption and retail changed the way Chinese citizens shopped, lived, developed new identities and related to the outside world. It also told the stories of the entrepreneurs, retailers and brands that were transforming the Chinese economy through consumption and services.

This development happened in several stages.

Stage One, 1990-94: Proto-Retail and Consumer Culture. This period was fueled by the first reforms in retail, which led to a surge of privatization; the opening of the Chinese market to the outside world; the initial success of Chinese entrepreneurs and business owners; new wealth created by manufacturing and exports; and the reform of regulations that allowed for greater

freedom for foreign brands and retailers.

Domestic retailers emerged and the first wave of foreign brands and retailers entered China primarily in the form of foreign luxury brands. This stage started with roughly 15 million consumers and ended with 30 million consumers with significant disposable income.

Stage Two, 1994-2004: Early Days of Modern Retail Development. New malls and department stores started to emerge in large numbers and the second wave of foreign brands and retailers entered the Chinese market. This period started with roughly 35 million consumers and ended with nearly 200 million consumers with significant disposable income.

Stage Three, 2004-15: The Age of China's Super Consumers. The largest and most important consumer demographic since the original U.S. super consumers of the post-World War II era emerged.

This was the time of exponential growth in retail infrastructure buildout and modernization; conspicuous consumption; higher rates of spending; and the growth of the sheer number of Chinese consumers with disposable income (700 million). Thousands of new foreign brands and retailers entered China and engaged Chinese consumers.

But most importantly, the emergence of mass e-commerce and digital payment options kickstarted a digital consumer revolution. Alibaba, JD.com, Tencent, Baidu and others started laying the foundation for the following stage.

Stage Four, 2015-19: The Age of the Chinese Digital Super Consumer. China has evolved its modern retail and consumption economy on the foundation of what we used to call e-commerce, but now categorize as digital commerce and new retail. There are now close to 800 million Chinese consumers with significant disposable income and nearly 700 million digital consumers. Moreover, Chinese digital commerce is the most advanced in the world.

There can be no argument about the fact that the emergence, growth and evolution of e-commerce were key to building

the new generation of China's super consumers.

But how did e-commerce become digital commerce and new retail?

At first, it wasn't necessarily what China had or what other countries did that led to the fastest adoption rates of e-commerce, digital payments and social media apps (as operating systems for life). It was what China didn't have that became an enabler and an advantage.

China had no modern retail legacy infrastructure to overcome. Even as China's retail and consumer economy started to develop and then boom in the late 1990s and early 2000s, modern retail infrastructure development was not keeping pace. Yes, malls and department stores were built at a rapid pace, and this helped, but the store-marketing-supply chain structures of fully developed retail markets were not yet in place. The arrival of e-commerce filled the gaps quickly. Most new consumers were "born" into e-commerce.

There was no legacy of communications systems to overcome in China. The vast majority of Chinese citizens did not own landlines, personal computers or primitive mobile devices in the 1990s and 2000s. When affordable, highly functional smartphones came on the market, China embarked on the fastest adoption of a new technology in human history. In less than 10 years, there were more than 1 billion smartphones in use. These smartphones were the perfect complement to and enabler of e-commerce.

China had no traditional banking, finance and payment systems to overcome. During the early and middle development stages of retail and consumption in the country and until the introduction of digital escrow accounts to complete consumer-to-consumer e-commerce transactions in the mid-2000s, almost all retail was conducted on a cash-and-carry basis. Credit cards, checking accounts and debit cards were not a big part of people's everyday lives. The introduction of easy-to-use, ubiquitous and eventually, QR code-based payment systems voided the need for credit cards, checkbooks and debit accounts.

The end result was the acceleration of Chinese consumption by way of technology and then the creation of China's digital super consumers. Today, China has advanced even further in terms of how products are made, moved, sold and experienced.

First was the evolution of e-commerce ►►



The author is vice president of China/Asia Pacific strategy and global digital practices at consulting firm Tompkins International

into digital commerce. The difference between e-commerce and digital commerce is as follows: e-commerce is an alternative to buying a product or service in a store or other physical environments. A consumer can choose to buy a handbag in a store, or on the brand's website or on an online marketplace like Tmall.

Digital commerce includes far more than a choice of where to complete a transaction. It includes digital payments, digital promotions and marketing, brands using a mix of environments (marketplaces, owned domains, third-party retailers) to reach the consumer, and digitization of customer services, fulfillment and logistics.

China today has progressed from digital commerce to new retail. Digital commerce has been the fastest growing segment of retail and consumption in China for the last 10 years. In many categories, digital is dominant. It already represents more than 30 percent of retail (as compared to 12 percent in the United States) and is head-

ing toward 40-50 percent of all retail in the next five years.

The introduction of new retail has brought forth a revolutionary concept, although physical environments (stores and human social spaces) still matter. In fact, they matter more than ever and in new and exciting ways.

As Jack Ma, founder of Alibaba Group, famously defined it, new retail is "the complete integration of online, offline, technology and logistics for a single value stream." New retail was born in China three years ago and is now going global.

Alibaba, JD.com and Tencent are building massive new retail ecosystems that include commerce related online and offline environments, technology and IT, logistics and supply chains, and media and entertainment.

New retail connects all four major functions to produce a single result: consumer-centricity, where providing consumer convenience, customization, choice of en-

vironments, an endless variety of products, entertainment and a suite of services is the goal.

The future of China's consumer and service economy will be driven by new retail. Innovations in payments, services, technology, fulfillment, online and offline integration and on-demand delivery will boost consumption the same way retail reforms in the 1990s and 2000s did.

Continued investment in artificial intelligence and data science; domestic and global logistics; the blend of services, entertainment and transactions; cross-border digital commerce; and a laser focus on the consumer will ensure the growth of China's economy and increasing levels of disposable income. A virtuous cycle of innovation, wealth creation, consumption and innovation will be the end result. That is the opportunity China has on a domestic and international stage and it is the blueprint for the role China's digital super consumers can play in global growth. **CI**



A staff member at a new retail supermarket in Hangzhou, east China's Zhejiang Province, introduces its mobile payment system to visiting international media professionals on June 29, 2018

A poster of *The Wandering Earth*

Settling In

China's first sci-fi mega film starts a new chapter By Ji Jing

For a long time, domestically made blockbuster sci-fi films have been absent from China's film market, leaving fans to satisfy their need for the genre by watching Hollywood productions. The situation has changed, however, as *The Wandering Earth*, hailed as China's first big budget sci-fi film, takes the country by storm.

As of February 17, the film had raked in 3.66 billion yuan (\$540 million), becoming the second highest grossing film in China's history after military action film *Wolf Warrior 2*, according to Maoyan, a box office tracker and an online-ticketing platform. As of March 7, the film had earned 4.57 billion yuan (\$680.8 million), according to Maoyan.

The film is loosely adapted from a namesake novella by Liu Cixin, a multiple prize-winning sci-fi writer, whose novel *The Three-Body Problem* won the Hugo Award in 2015. He also won the 2018 Arthur C. Clarke Award for Imagination in Service to Society in Washington, D.C., in November 2018.

In the film, the Sun is dying out and the temperature on Earth dives to unbearable lows. As a result, people have to live in underground cities to escape the cold. In order to save the Earth, people all around the world build some 10,000 giant planet thrusters to move the Earth out of its orbit to a new star system. The undertaking, called Wandering Earth, will take 2,500 years and the journey will be 4.3 light years long.

Liu Qi, son of international space station astronaut Liu Peiqiang, and Han Duoduo, a teenage girl adopted by Liu's grandfather, escape from the underground city, curious about the outside world. However, since the journey is filled with unexpected dangers, the two inadvertently join the battle to avoid the Earth from colliding with Jupiter.

A breakthrough

The film is widely seen as ushering in Year One of China's sci-fi movie market. Ming Zhenjiang, Executive Chairman of the China Film

Producers' Association, told the media that China has abundant historical films and its realistic films are also on the rise. However, futuristic films haven't had any breakthroughs for a long time. *The Wandering Earth* has deeply satisfied Chinese audiences' demand for the genre.

Rao Shuguang, President of the China Film Critics Association, said *The Wandering Earth* signals the upgrading of China's film industry, indicating China has grown from a country making a great number of films to a leading film producer in the world.

The spectacular special effects and exquisite props are major attractions for audiences. In contrast to the one-hero-saves-the-world model often seen in Hollywood blockbusters, a united government is formed in the film involving countries around the world to confront the apocalypse together. And instead of deserting the Earth, human beings choose to take the Earth on a space journey, reflecting Chinese people's love for their homeland.

Moreover, in comparison to Hollywood films which feature landmarks in cities such as London and New York, audiences were thrilled to see Chinese cities such as Beijing and Shanghai instead.

In 2018, of the top 10 box office films in China, six were domestic productions, while the other four were U.S. sci-fi films. "*The Wandering Earth* has compensated for a lack of domestic sci-fi films. It also shows that Chinese films have begun to think about humanity's future and joined international discussions about human destiny, which is of great significance," said Gong Jie, a teacher at the School of Liberal Arts of Northwest University in Xi'an, Shaanxi Province.

Liu Cixin was very excited to see his work turned into a film. "My biggest wish is to make my works into films. Now my dream has come true."

China's growing scientific and technological strength has provided the prerequisite for the development of sci-fi films, said Guo Fan, the director of the film. For instance, it is more credible to see Chinese astronauts working in space stations in the film after China's lunar rover *Yutu* ▶▶

2 recently made a successful landing on the far side of the Moon.

Having directed only two films before *The Wandering Earth*, Guo is a relatively new director. He made up his mind to become a film director as a teenager in the 1990s after watching *Terminator 2: Judgment Day* directed by famous Hollywood filmmaker James Francis Cameron.

The Wandering Earth took four years to make and involved approximately 7,000 staff members. Seventy-five percent of the film's special effects were made by domestic companies, while 25 percent were done by South Korean and German teams.

Guo said he chose mostly domestic companies not only because Hollywood special effects firms are more expensive but also because it's more difficult to communicate with them owing to cultural and language differences. Moreover, top Hollywood special effects companies can hardly spare their best resources as they are often engaged in making Hollywood blockbusters.

The film has also attracted international attention, with Cameron wishing it good luck on China's microblogging platform Weibo. "Good luck with your space journey of *The Wandering Earth*. Good luck with the voyage of Chinese sci-fi films," he wrote.

Since February 5, the film has hit screens in North America, Australia and New Zealand. The film's official Weibo account announced that as of February 17, it had become the highest grossing Chinese film in North America in five years, earning \$3.82 million.

More needed

In addition to the praise that has poured in for the film, there

are others who have been more cool-headed. A comment on review website Douban.com said aside from the special effects that represent the pinnacle of Chinese films, the character and plot development along with the scientific basis of the film have room for improvement.

The producer of the film Gong Ge'er said one film is inadequate for starting a new chapter in Chinese sci-fi films. More films are needed in order to break new ground in sci-fi filmmaking.

Domestic sci-fi films account for a small proportion of China's film industry. According to a report published by the Southern University of Science and Technology in November 2018, the box office revenue of sci-fi films in China reached 9.5 billion yuan (\$1.4 billion) in the first half of 2018, of which only 890 million yuan (\$131 million), or less than 10 percent, was contributed by domestic films.

Guo said it may take China 10 years to catch up to Hollywood. "If we compare China's film industry to a non-mechanical workshop, its Hollywood counterpart is a well-established industrial system. What China lacks is not only hardware but also advanced management and concepts."

Liu Cixin added that sci-fi films should be more diversified instead of following a set model. Moreover, a full-fledged industrial system should be established for sci-fi filmmaking with a more specific division of labor.

"High-quality content is also important. We need influential sci-fi novels as well as more scriptwriters," Liu Cixin said. **CI**



Moviegoers walk past a poster of *The Wandering Earth* in a cinema in Nantong, east China's Jiangsu Province, on February 10



Viewers' comments on Rotten Tomatoes, a U.S. review-aggregation website for film and television

James Marsh
February 28, 2019

This film's success... may finally have opened the pod bay doors for more Chinese sci-fi films.

Simon Abrams
February 15, 2019

I can't think of another recent computer graphics-driven blockbuster that left me feeling this giddy because of its creators' consummate attention to detail and infectious can-do spirit.

J Hurtado
February 17, 2019

The Wandering Earth is a marvel of imagination, inspiration, execution and excitement

Rachel Wagner
February 15, 2019

If you have a palate for big over-the-top sci-fi blockbusters I think you will really enjoy *The Wandering Earth*. Who knows? You might even find yourself cheering the Chinese on as they save the Earth

Hoai-Tran Bui
February 27, 2019

As manufactured as the film is, *The Wandering Earth* is so ambitiously action-packed and visually stunning that it's difficult not to be taken along for the ride.

Kevin L. Lee
March 5, 2019

The Wandering Earth may seem like one small step in the eyes of Western moviegoers, but it is one giant leap for Chinese cinema.

