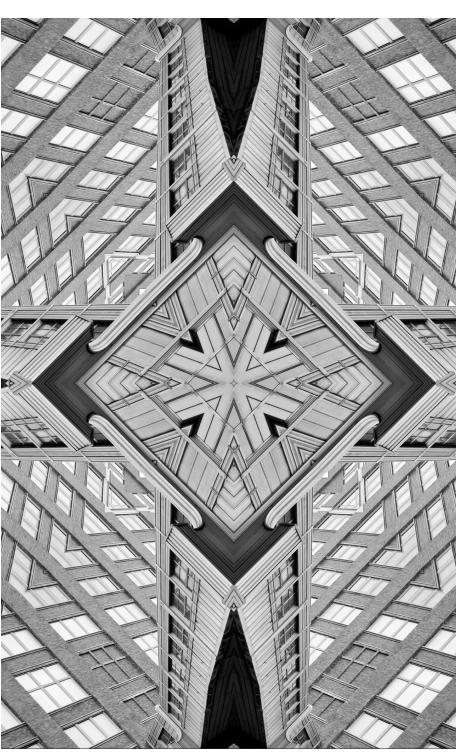


### Issue Brief

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### Decoding Rural Revitalisation, Xi Jinping's New Priority

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### Abstract

As the world grapples with uncertainty in the post-COVID-19 era, China appears to be focusing on bolstering its rural economy. China claims to have brought nearly 100 million people out of poverty since 2012, but the regime feels that unbalanced development can jeopardise the gains of poverty alleviation. The widening economic gap could also foment unrest in the rural areas. Additionally, the government believes that the reliance on grain imports has national security implications as rising tensions with the US may result in the latter cutting off supply. These factors have made rural revitalisation a priority for China.



fter eliminating absolute poverty<sup>a</sup> in China in 2021, the Chinese Communist Party (CCP) is now prioritising rural revitalisation.<sup>1</sup> China claims to have lifted nearly 100 million people out of poverty since 2012,<sup>2</sup> but the CCP feels that unbalanced development, which is in favour of urban centres, threatens to undo the country's gains from poverty alleviation. It has, therefore, mandated a push to revive the rural areas.

About 840 million people are estimated to live in rural China.<sup>3</sup> While discussions on China have primarily focused on the big cities, Scott Rozelle, a development economist and co-director of the Stanford Center on China's Economy and Institutions in the US, refers to the rural population cluster, which makes up nearly one-ninth of the global population, as "invisible China".<sup>4</sup> The rural population comprises cultivators, the elderly, children, and labourers in factories. While many have migrated to urban areas, they continue to possess rural *hukous* (household registrations).

China's official policies have been instrumental in widening the gap between urban and rural centres. During the Mao Zedong era, grain had to be compulsorily sold to the state at fixed prices since private markets were shut down, and farms were organised into communes in which household members were pooled to cultivate land.<sup>5</sup> In addition, farmers received compensation as per the 'work points' system, a set of metrics used to calculate the amount and quality of labour.<sup>6</sup> The effect of both policies was that the income level of farmers remained low.<sup>7</sup>

As per Deng Xiaoping's 'two development strategies', China's coastal areas were prioritised over the hinterland for economic development. The policy also stipulated that the interior would get attention once the coastal areas had attained a certain level of development.<sup>8</sup> As wages continued to rise in the coastal regions, which became manufacturing hubs, many rural residents flocked to those areas, making the rural hinterland an 'exporter' of labour. Additionally, as economic achievements became a metric for promoting provincial-level CCP leaders, they started taxing farmers to generate resources for industrial development in central and western China, and neglected to construct schools and healthcare facilities.<sup>9</sup> This further exacerbated the urban-rural income divide.

a For rural residents, China has an absolute poverty line of around RMB 4,000, or approximately US\$619.



In the 2000s, distress in the rural hinterland led to minor insurrections and large-scale migration to cities, and consequently, these developments began to resonate in the political discourse.<sup>10</sup> In his report to the National People's Congress (China's parliament) in 2006, then Premier Wen Jiabao summarised that agriculture was caught in a spiral—rising costs of farm inputs was making it tougher for farmers to increase their earnings, which, in turn, was making it difficult to increase production. His report further red-flagged the reduction in the quantity of farmland as a threat to national security.11 In 2007, Wen's submission to the National People's Congress again warned that agriculture, which was the economy's base, remained weak, making it more arduous to raise production levels and rural incomes.<sup>12</sup> This brought into focus the need to resolve the three rural problems (sān nóng wèntí)—raising farm production, increasing rural incomes, and addressing the issue of poor infrastructure in the hinterland. To tackle this crisis, the Hu Jintao administration and Wen popularised the slogan 'building a new socialist countryside' in 2005, following which agriculture tax (nóng fèi) was abolished and legal provisions to transfer farmland to business corporations were tightened.<sup>13</sup> Under China's 11th Five-Year Plan (2006-2010), policymakers proposed setting up secondary and tertiary industries related to agri-produce processing in the hinterland, and the allocation of money for agriculture and the development of rural infrastructure increased by 15 percent.<sup>14</sup> However, the propensity of economic planners to bank on export-led industrialisation dampened the momentum of revitalising the countryside and resulted in corporate groups taking over rural areas to set up industries or for real estate development.<sup>15</sup>

Every generation of Chinese leadership wants to create a legacy through a campaign. After President Xi Jinping became China's leader, he publicly committed to ending poverty by 2020. 16 In 2015, the Chinese regime made Xi's pledge an official policy. 17 As a result, rural revitalisation has become a priority project for CCP cadres in the Xi era. The baseline for poverty in rural regions is decided based on three markers: income at or less than RMB 4,000 (US\$619) per person per year; the provision of basic necessities like clothing and food; and access to healthcare, education, and housing. 18

In 2017, the Chinese government launched the rural revitalisation strategy in its current form. The strategy aimed to address major issues—boosting agricultural production, developing rural housing and land use, improving the environment, and alleviating poverty in impoverished regions. <sup>19</sup> In 2018, it set out a three-stage system to build an institutional framework to achieve these four goals by 2020. <sup>20</sup>



In August 2021, during a Central Financial and Economic Affairs Commission session, Xi mooted the concept of 'common prosperity', indicating his agenda to address the current wide urban-rural income gap.<sup>21</sup> For instance, a person residing in urban Shanghai on average earns 12 times the compensation of someone living in rural Gansu.<sup>22</sup> Indeed, the rural-urban divide has been a greater concern for the CCP since the onset of the COVID-19 pandemic. Xin Ming, a professor at the Central Party School, which trains CCP cadres, revealed that while the per capita disposable income of urban residents was RMB 42,359 (US\$6,180) in 2019, the corresponding figure for rural dwellers was less than half, at RMB 16,021 (US\$2,334).<sup>23</sup> On the sidelines of the National People's Congress session in March 2020, Premier Li Keqiang noted that while the country's per capita annual income was RMB 30,000 (US\$4,377), about 600 million people earn RMB 1,000 (US\$145) each month average,<sup>24</sup> and noted that migrants earning this amount could not afford to pay rent in midsized cities.<sup>25</sup>

Additionally, there are institutional barriers that have propagated the urban-rural divide. The hukou system, for instance, has put rural dwellers at a disadvantage. For the first time in recent history, China logged negative growth rates and high unemployment rates in 2021 during the pandemic.<sup>26</sup> The wide income gap between urban and rural residents could expand further because rural migrant workers were severely affected by the economic impact of the pandemic. The income per head of a rural resident was RMB 12,297 (US\$1,882) in the first nine months of 2020, only 37.5 percent that of urban dwellers.<sup>27</sup>

As the Chinese regime's legitimacy to rule over the nation stems from its economic and developmental performance, it has moved swiftly to address rural distress.<sup>28</sup> As a result, in 2021, a concrete push came in the form of the Rural Revitalisation Promotion Law and the National Administration for Rural Revitalisation.<sup>29</sup>

This brief attempts to understand China's urban-rural divide, and assess the distinctive features and challenges of China's rural revitalisation strategy.



## Understanding Rural Revitalisation

here is no single global definition of rural revitalisation. The 2019 Global Food Policy Report by the International Food Policy Research Institute describes rural revitalisation as a way of "positively transforming rural areas for present and future generations." A chapter in the report ('Rural revitalisation: Tapping into New Opportunities') describes how to make rural areas more productive, sustainable, healthy, and attractive places to live. It describes rural revitalisation as a complementary endeavour to urbanisation that benefits both rural and urban areas.

Another study on China's rural revitalisation and development from the geographical perspective explains it as a "significant conceptual change that both rebalances and reshapes the urban-rural relationship, and aims to create a new-type of urban-rural relationship characterised by mutual promotion of industry-agriculture, urban-rural mutual complementation, comprehensive integration, and common prosperity".<sup>31</sup>

Both descriptions clearly state that the rural revitalisation framework is based on solving the urban-rural contradictions and bridging the gap between the two. Indeed, China's strategy posits itself within the framework of these descriptions.

### The Political Impetus

China's peasant community was one of Mao's favoured social groups and the pillar of the Cultural Revolution. However, over the years, the rural population has come to be seen as of lower quality (sùzhì), a perception that is reflected in official documents and public discourse.<sup>32</sup> According to academic Mindi Schneider, a view has emerged of rural regions as backward and, therefore, a drag on the ability of urban China to achieve its potential.<sup>33</sup>

China's rural populations migrate to the cities for better opportunities, but their ability to access public services in the urban areas is limited.<sup>b</sup> The CCP is aware that this social divide between urban dwellers and rural migrants has implications for stability. Xi also fears that unchecked migration in urban centres

b Under the hukou (household registration) system) it is difficult for rural hukou-holders to gain free access to state-provided services outside the place where the household is registered. In cities, the children of migrants from the countryside are usually shut out of local state schools. Hukou also has a bearing on whether one can get housing subsidy or collect unemployment insurance.



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can become a tinderbox.<sup>34</sup> Also, the CCP's bid to project China as a modern nation by showcasing its cities has led to city-management officials (*chéngguǎn*) cracking down on stalls operated by migrants and demolishing their dwellings in keeping with urban aesthetic sensitivities.<sup>35</sup> Furthermore, the proliferation of employment opportunities in cities has meant that nearly 350 million have relocated to urban centres from the hinterland in the last few decades, making it the largest peacetime migration in the world.<sup>36</sup> As a result, the population available in villages to farm has dwindled. Thus, given the concerns related to stability in the cities and restricting street hawkers, policymakers have decided to create "modern" forms of production in rural regions.<sup>37</sup>

In 2018, rural revitalisation received a fillip when the China Development Forum (CDF) deliberated on the 'modernisation of the rural sector'. The CDF is an annual event organised by the State Council (China's cabinet) that deliberates on important issues regarding national development and is attended by China's political elite, business leaders and academics. The conclave listed four goals to improve China's rural hinterland:<sup>38</sup>

- Shrinking the rural and urban gap through better physical and virtual connectivity between farmers and consumers.
- Addressing issues related to improving education, infrastructure, and environment standards in rural regions.
- Conducting research and development in rural technology sector.
- Incentivising villages to convert local food products into healthy products.

The ongoing trade war with the US, which began in 2018, seems to have provided a new impetus to the CCP's focus on the hinterland. Referring to the US's imposition of tariffs on Chinese imports as "unilateralism and protectionism", Xi said it had pushed the nation to bank on itself for development. "Internationally, it's becoming more and more difficult [for China] to obtain advanced technologies and key know-how. Unilateralism and trade protectionism are rising, forcing us to adopt a self-reliant approach," he said while on an inspection tour of China First Heavy Industries, a state-owned enterprise based in Heilongjiang that was established in the 1950s when China



had become a pariah state following the Communist takeover.<sup>39</sup> This signalling for self-reliance was also evident in the area of grain production. "The Chinese people should hold their own bowls of rice, and stuff them with their own food," he said at the same venue.<sup>40</sup>

In the run-up to the centenary of the CCP in 2021, China declared it had notched a major victory against poverty, announcing in 2020 that as many as 100 million had been brought out of extreme deprivation. Xi urged officials to carry forward his campaign of poverty alleviation and alerted them to the danger of the rural hinterland returning to poverty. Additionally, during the Central Rural Work Conference in 2020—a gathering that usually sets rural and agricultural policy—Xi announced that after eliminating absolute poverty, his priority was to embark on "a historic shift" to focus on "comprehensively improving" the rural economy from 2021 onwards.

There is no universal definition of rural revitalisation. But China's rural revitalisation framework can be understood as focusing on solving the urban-rural contradictions and bridging the gap between the two.



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hina's new Rural Revitalisation Promotion Law to advance the work of rebuilding the rural economy came into effect in June 2021. A legal and administrative framework to support this process is also being implemented to assess the tasks undertaken through an annual work report and an inspection system. Importantly, the law mandates cropland protection, creates a system to ensure a gradual increase in rural income, and strengthens vocational training in villages.

A new agency, the National Administration for Rural Revitalisation, was inaugurated soon after the CCP declared that it had rid China of poverty in February 2021.<sup>44</sup> An article titled 'The Great Miracle in the History of Human Poverty Reduction' published in *Qiushi* journal, an influential CCP mouthpiece, stated that the new agency would be tasked with consolidating the gains made under the poverty alleviation campaign in China's rural hinterland.<sup>45</sup>

Sources of funding are also critical for any government campaign. In May 2021, a report by China's central bank and five ministries proposed financial services supporting rural revitalisation in pilot zones, developing loans, and improving agricultural insurance services.<sup>46</sup> This report noted that new forms of rural business ventures, such as family farms and farmers' cooperatives, were playing a role in boosting incomes, supplying agricultural products, and transforming and upgrading the agricultural sector.<sup>47</sup> It stated that financial services for such new rural ventures should be considered while evaluating the financial institutions' service performance on rural revitalisation.<sup>48</sup>

Since the early 1950s, cooperatives in China's hinterland have been the primary drivers of rural development. During China's command economy era, cooperatives were an important institution as the sole medium for farmers to purchase everyday consumer staples and agricultural supplies. However, as private players mushroomed in the 1980s, the role of rural cooperatives diminished. Now, Xi wants to revive the old state-run distribution network to uplift the rural economy and strengthen the CCP's appeal in the countryside.<sup>49</sup>



China's current rural revitalisation strategy has three key features:

### • Diversifying income sources

The rural development plan prioritises improving cultivators' incomes from farm and non-agricultural sources, enhancement of seed technology and modern management skills, and developing agricultural services in planting and harvesting.

The effort to diversify incomes from non-agricultural sources has led to establishing satellite factories under the poverty alleviation programme.<sup>50</sup> The Chinese government touts this as a 'win-win' model for all.<sup>51</sup> The satellite factories offer farmers stable employment and a steady income for their offwork days. At the same time, the government offers businesses subsidies to build such factories, and entrepreneurs benefit by way of cheap labour. According to China's National Bureau of Statistics, a labourer in satellite factories draws a little more than half the salary in coastal regions. On average, factories in coastal provinces pay around RMB 30,000 (US\$4,375), while those in the rural hinterland fork out RMB 18,000 (US\$2,625).<sup>52</sup> The China Rural Industrial Development Plan 2021-2025 by the Ministry of Agriculture and Rural Affairs proposes to set up a rural industrial ecosystem in the countryside to augment farmers' income.<sup>53</sup> This would enable the Chinese government to take the heat off the crowded coastal regions, and ease migration to manufacturing hubs to some extent. The government also hopes that this approach will create a new class of consumers in the rural hinterland.

However, while China has only 7 percent of the world's arable land, it must feed nearly 20 percent of the world's population. Experts predict that the country's self-sufficiency rate will plummet in the long term.<sup>54</sup> If arable land is diverted for building satellite factories, China may find it tough to ensure food security for its people.

The Chinese government is also implementing a system to upgrade the skills of people in the rural hinterland to prepare farmers for the factory floor. Xi has emphasised the vocational education system to create a pool of high-quality technical professionals.<sup>55</sup> With 148 technical schools, the Guangdong province

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has an expansive vocational training network, and has spearheaded efforts to impart skills to the rural population. In 2021, for instance, over 190,000 students (including teenagers, migrant workers and farmers) were enrolled at the vocation training centres.<sup>56</sup>

### • The agritech factor

Innovation in the digital space is also a key ingredient of Xi's strategy to bridge the rural-urban divide. The CCP has been pushing for 'Internet Plus', a state-backed initiative first mooted in 2015, to integrate the internet with traditional industries and agriculture to enable farmers to sell their products online directly.<sup>57</sup> According to the 2021 National County Digital Agriculture Rural E-commerce Development Report, online retail sales in about 2,000 counties totalled RMB 353 billion (US\$51 billion), a rise of nearly 14 percent from the previous year.<sup>58</sup>

However, a huge digital divide still exists between urban and rural regions, which will need to be bridged for e-commerce to pay dividends in the hinterland. The rate of internet reach in China's urban centres was 74.6 percent in 2018, on par with European nations like Portugal and Poland, but was just 38.4 percent in rural areas.<sup>59</sup>

The Chinese government's annual rural policy masterplan titled "No. 1 document" released in February 2021 pushes for greater food security, urging provinces to boost yields over the next five years. There are also calls for greater support to the homegrown seed industry. The Chinese government's new narrative terms seeds as the 'chip' of agriculture, a reference to its bid to boost the domestic production of semi-conductor chips amid ongoing tensions with the US. 1

In recent years, China has resorted to acquiring foreign firms to bridge the technology gap in food security; for instance, the state-backed China National Chemical Corporation bought Syngenta, a Swiss agritech firm, for US\$43 billion in 2017.<sup>62</sup> Syngenta develops a wide range of seeds, pesticides, fertilisers, and modern agricultural services. For instance, its Modern Agricultural Platform centres promote sophisticated farming equipment and technology solutions like climate-friendly methods to boost yields and reduce the proportion of

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fertilisers.<sup>63</sup> However, in recent years, Chinese acquisitions have come under scrutiny in the West. In October 2020, new rules in the European Union empowered it to stall foreign acquisitions on national security grounds.<sup>64</sup>

With the acquisition of foreign know-how becoming more challenging for China, it has now changed track. The role of capital is important in any business venture, and Beijing has indicated that the bourses will assist "priority and technology industries"; in 2021, China Securities Regulatory Commission chief Yi Huiman announced that the capital market will advance "high-quality development" of the economy and support scientific innovation. <sup>65</sup> Syngenta is planning to raise US\$10 billion on the Shanghai Stock Exchange's Science and Technology Innovation Board, making it one of the largest public offerings. <sup>66</sup>

However, there may be unforeseen risks to such a strategy as the future of seed companies depend on their abilities to make breakthroughs, which is dependent on access to advanced know-how from the West. In August 2018, the US Congress gave the Committee on Foreign Investment in the United States greater leeway to veto foreign purchases involving "critical technologies" that could have a bearing on national security.<sup>67</sup> The US has denied China access to critical technology and this variable looms large on the profitability of seed firms. For instance, the Trump administration placed Chinese state-owned Sinochem Group and ChemChina, which produce fertilisers and agrochemicals, respectively, on a US sanctions list.<sup>68</sup>

### A clean bill of health

The theme for the Chinese government's annual international charity sale in 2022 is 'Rural Revitalization, Health Care First'.<sup>69</sup> In December 2021, foreign ministry spokesperson Zhao Lijian explained how the CCP, which is celebrating its centenary and has won the race against poverty, wants to advance its rural revitalisation programme by concentrating on health through the charity. He appealed for contributions and committed that the money raised in the sale would improve healthcare services in Yunnan province's impoverished Jinping and Malipo counties, which have been provided targeted support.

Under the rural revitalisation strategy, the Chinese government has also urged its township health centres to improve medical service capacity and has proposed building central health centres to deal with the major epidemic and public health emergencies. The strategy also focuses on inclusive health by pledging to improve and strengthen services for the rural population, including senior citizens, women, children, and the homeless.<sup>70</sup> This became more prominent amid the repeated outbreaks of COVID-19.

A 2021 study in the International Journal for Equity in Health, which surveyed 726 randomly selected rural Chinese villages during and after the strict COVID-19 quarantine, concluded that "the pandemic should induce China to put more effort into the healthcare system in rural communities". The poor quality of rural clinicians could have left rural areas ravaged if the infections had spread to rural communities.<sup>71</sup> The study concluded that efforts to improve China's rural healthcare system, particularly in primary care, will be critical to thwarting future catastrophic effects on rural populations.

To bridge the requirement of trained medical professionals, the government has kicked off a fully funded undergraduate-level course to place 63,000 students in the severely under-resourced rural villages in central and western China.<sup>72</sup> In addition, the number of general practitioners in rural areas will also be increased through training in local colleges and employment in local rural hospitals.

### Hurdles to Bridging the Urban-Rural Gap

Years of rapid economic development have seen China overtake the US as home to the highest number of billionaires globally. <sup>73</sup> While Xi envisages China as a well-off society, migrants who moved from villages to metropolises hope the CCP's path to creating common prosperity will stop discrimination and exclusion from the urban social security system.<sup>74</sup>

By 2025, China is estimated to rank 70th globally in per capita income<sup>75</sup> but will have a challenging task ahead to ensure everyone prospers.<sup>76</sup> Of the 101 countries that had achieved middle-income status in 1960, only 13 eventually reached high-income status. The other 88 countries arguably failed to undertake the necessary institutional reforms, which led to their growth slowly stabilising before eventually becoming stagnant.<sup>77</sup> The 13 countries that transitioned to high-income status had high-quality education levels in the middle-income segment, which ultimately helped them shift. For example, among the developed nations in the West, the proportion of the labour pool



that had received high school education in the US was 90 percent, while the corresponding figure was 87 percent in Germany and 100 percent in Japan (see Table 1).

In Asia, when countries like South Korea and Taiwan made the transition to high-income status, nearly 75 percent of their labour force had a high school education. As China's elite aspires for its society to reach high-income status, its high school attainment rate of 30 percent will hobble progress.<sup>78</sup>

### Table 1: Share of labour force with at least high school education

| Country                        | Percentage of Population |
|--------------------------------|--------------------------|
| Low-income countries (2015)    |                          |
| Low-income average (2015)      | <20                      |
|                                |                          |
| Middle-income countries (2015) |                          |
| Turkey                         | 37                       |
| Brazil                         | 47                       |
| Argentina                      | 42                       |
| Mexico                         | 35                       |
| South Africa                   | 42                       |
| China                          | 30                       |
| Middle-income average          | 36                       |
|                                |                          |
| High-income countries (2015)   |                          |
| US                             | 90                       |
| Germany                        | 87                       |
| Japan                          | 100                      |

Source: Human Capital and China's Future Growth<sup>79</sup>



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China also faces a unique institutional barrier in the form of the hukou system, which puts the rural population at a disadvantage. The state assigns a hukou at birth as per the child's parents' status, so children born in families in rural areas receive rural hukou. In the 1980s, rural populations were permitted to move to the cities for employment, which eventually played an important role in the country's near double-digit growth rate, but most continued to possess a rural hukou.

The hukou system also exacerbates income inequality. Under the policy, an individual is categorised as a resident in a specific location (rural or urban), giving them access to different public services. In China, while only 36 percent of the population possess an urban hukou and 64 percent rural, over 70 percent of children have a rural hukou.<sup>80</sup> In urban areas, the children of rural migrants struggle to be placed in local state schools and must either be sent to private institutions, which are often unaffordable for most or return to their hometowns to enrol in village schools.

Additionally, although nearly 10 million new students register to attend university each year, students from rural areas are left behind.<sup>81</sup> The number of rural students in China's top 1 percent universities is abysmal—about 0.3 percent of rural students make the cut as compared to 2.8 percent of their urban peers.<sup>82</sup> Beijing's Tsinghua University and Peking University have an acceptance rate of around 1 percent for local students, but only one-tenth of that for applicants from outside the capital.<sup>83</sup> In 2014, under the 'new urbanisation plan', the government announced that around 100 million would be able to swap their rural hukou for an urban one. In 2020, the Chinese government tweaked rules allowing cities with populations of less than 300,000 to accord migrant applicants with a local hukou.<sup>84</sup> But these reforms are concentrated in small cities, not the big metros.



everal factors are responsible for the latest push for rural revitalisation in China. First, every generation of the Chinese leadership is keen to be seen as the brain behind a big campaign that will be a legacy imprint. Mao tried it with the Great Leap Forward campaign, which ended in disaster, and Deng with the reform and opening-up strategy that made China an economic powerhouse. Given his seven-year stint in the countryside during the Cultural Revolution, Xi believes he has the aptitude and experience to address rural distress differently than his predecessors. He has also announced an intention to propel China to global superpower status, so it would be unwise for him to leave the agrarian distress unattended.

Second, since Xi declared victory in the nation's battle against extreme poverty in 2021, the government has prioritised improving people's lives in the countryside and bridging the nation's urban-rural divide. China's domestic policies are focused on elements that offer stability for further economic growth, creating political legitimacy for the CCP. Despite living and toiling in cities, migrants are yet to see a share of the country's economic growth. There has been an impetus within the CCP to acknowledge this, evidenced in Li's disclosure at the 'Two Sessions' conclave in May 2020 that about 600 million Chinese people make only RMB 1,000 (US\$145) a month, which is not sufficient to rent a room in a medium-size Chinese city. Thus, the narrative about rural revitalisation has an appeal among the public and reinforces support for the CCP.

Lastly, since the pandemic and under a new strategy called 'dual circulation', China has signalled it will place a greater focus on the domestic market, a strategic approach to adapt to increasingly hostile external conditions, especially as ties with the US deteriorate. The fifth plenum of the 19th Central Committee, the annual conclave of the ruling elite, resolved to create a robust domestic market and to improve income distribution, particularly in the farming and rural sectors. This approach accords domestic consumption a more significant role in driving economic growth by increasing incomes.



In its current form, the rural revitalisation strategy also tries to address some of the CCP's goals. Migration to urban centres for better economic prospects has left the cities saturated. Thus, instead of farmers living as poor urban residents, the CCP wants to create sustainable conditions in the hinterlands for them to earn a living on home turf. Additionally, agriculture depends on the monsoon, so enabling farmers to diversify income sources via satellite factories will elevate their social status and help generate domestic demand, which is the mainstay of Xi's dual circulation strategy. However, to fully realise the potential of the rural hinterland, China must give greater thrust to education and relax its residency permit rules. ©RF

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