

PART IV

CREATING A STRONG DOMESTIC MARKET AND A NEW PATTERN OF DEVELOPMENT

Expanding domestic demand will be pursued as a strategic move. To accelerate the development of a complete domestic demand system, we will carry out the strategy of expanding domestic demand in coordination with more intensive supply-side structural reform so as to steer the creation of new demand with innovation-driven development and high-quality supply. We will move faster to create a new pattern of development that focuses on domestic circulation and features positive interplay between domestic circulation and international circulation.

Chapter 12 Boosting Domestic Circulation

We will leverage our strong domestic market to better integrate production, allocation, distribution, and consumption with a view to achieving a more desirable and dynamic balance between supply and demand that enables one to boost the other, thereby facilitating positive flows in the economy.

Section 1 Improving the Adaptability of the Supply System

We will intensify supply-side structural reform to improve supply's ability to adapt to and steer the creation of new demand. We will adapt to personalized, differentiated, and quality-oriented consumer demand by innovating production modes and industrial organization methods and expanding the supply of high-quality consumer goods, medium- and high-end products, as well as education, medical care, elderly care, and other services. We will improve product and service quality and customer satisfaction, and promote coordination between supply and demand. We will optimize the supply structure and promote coordinated development between industries such as agriculture, manufacturing, services, and energy and resources. We will improve industrial supporting systems and work faster to see that the competitive aspects of natural monopoly industries become more market-oriented to effectively link upstream and downstream industries as well as production, supply, and marketing processes. We will improve the permanent mechanism for easing overcapacity by using approaches consistent with market principles and the rule of law, and

improve laws, regulations, and supporting policies for enterprise mergers and reorganizations. We will establish a well-designed quality classification system and speed up the upgrading of standards and the transformation and application of international standards. We will launch campaigns to create Chinese brands, protect and develop China's time-honored brands, enhance the influence and competitiveness of China's brands, and cultivate a number of high-end brands first in the consumer sectors such as cosmetics, clothing, home textiles, and electronic products.

Section 2

Promoting Smooth Flows of Resources and Production Factors

We will remove impediments to the rational flow of production factors and correct imbalances and mismatches in the distribution of resources and production factors to facilitate smooth flows in our economy at the source. We will see that the financial sector better serves the real economy by improving the institutional arrangements for ensuring medium- and long-term fund supply for the real economy, developing financial products and services that can directly stimulate the real economy, and strengthening the financing function of multi-level capital markets. We will set up a permanent mechanism to promote the stable and healthy development of the real estate market and ensure a balance between the development of the real estate industry and the real economy. We will effectively upgrade the skills of our workforce, improve the quality of employment and raise incomes, and see that the promotion of human capital and the transformation and upgrading of industries facilitate each other. We will improve the mechanisms for ensuring free flows of factors between urban and rural areas and establish structures to promote the gradual relocation of industries between regions, thereby achieving positive interaction between urban and rural areas and between regions.

Section 3

Giving Better Play to the Supporting Role of the Distribution System

We will deepen reform of the distribution system to free up the channels for distributing goods and services, achieve greater efficiency, and reduce transaction costs throughout society. As we accelerate moves to build a vast, unified domestic market, we will improve the market environment by studying advanced international rules and best practices and promoting the coordination and integration of standards, rules, and policies between different regions and industries to effectively eliminate local protections, industrial monopolies, and market segmentation. We will develop a modern logistics system by accelerating the development of cold chain logistics, coordinating the construction of hub facilities, key lines, regional distribution centers, and terminal distribution nodes, and improving facilities in national logistics hubs and core cold chain logistics bases. We will improve logistics and delivery networks at the county, township and village levels, develop high-speed rail transit and other express rail freight transport, strengthen our international air freight capacity, and improve our global competitiveness in ocean freight. We will improve international logistics channels and accelerate the formation of a safe and efficient logistics network connecting China to the world. To put in place a modern system for the movement of goods and services, we will cultivate a number of modern distribution companies with global competitiveness, support the transformation and upgrading of commodity distribution facilities such as convenience stores and farmers markets, develop contactless trading services, and promote standards and green development in the commodity distribution sector. We will accelerate the development of a resilient emergency logistics system that can guarantee adequate reserves and rapid response.

Section 4

Improving the Policy System for Boosting Domestic Circulation

While keeping government spending and the deficit-to-GDP ratio at a reasonable level, we will improve tax and fee reduction policies and build a taxation system that will facilitate enterprises' greater investment and R&D spending, improve income distribution, and reduce the burden on consumers. We will maintain a proper and adequate supply of liquidity and work to see that increases in money supply and aggregate financing are generally in step with economic growth in nominal terms. We will develop new types of structural policy instruments, guide financial institutions to increase their support for key sectors and weak links, and ensure well-regulated development of consumer credit. We will make industrial policies more inclusive and functional, reinforce the fundamental role of competition policies, and support technological innovation and structural upgrading. We will make the systems of income distribution, social security, and public services more compatible with economic development.