

China Development Forum 2021

China on a New Journey of Modernisation

10:20-11:20, 20 March 2021

Parallel Session II - Venue III

Unleashing the New Potential of Consumption

Moderator

Zhang Jun, Distinguished Professor of Humanities and Social Sciences, Dean of School of Economics, Fudan University

Speakers

Gao Peiyong, Vice President, Chinese Academy of Social Sciences

David S. Taylor, Chairman of the Board, President and CEO, P&G

Zhang Wenzhong, Founder, Wumart; Chairman, Dmall

Wang Xiangming, Chairman, China Resources Group

Song Xiaowu, Director, Academic Committee, China Society of Economic Reform; Dean, China Institute for Income Distribution, Beijing Normal University

Synopsis

To inspire policymakers and companies to boost consumption, the panellists explored a wide range of topics, including taxation, income distribution, and industry innovation, and put forward insightful ideas and suggestions.

From a macro perspective, Gao Peiyong, vice president of the Chinese Academy of Social Sciences, elaborated on the role of taxes in unleashing the potential of consumption. He noted that, to promote consumption through taxes, the focus should be on tax structures instead of tax revenue. Due consideration should be given to the following three issues. First, under its current regressive tax system, China mainly levies indirect taxes, which disproportionately burden low income people and go against the purpose of expanding consumption. Second, by increasing the proportion of direct taxes and decreasing the proportion of indirect taxes, taxes can play an effective role in regulating and lowering prices, thereby helping to expand consumption. Third, increasing the proportion of direct taxes could amplify the role of taxes in adjusting income redistribution, reducing the Gini coefficient to some extent.

Song Xiaowu, director of the Academic Committee of the China Society of Economic Reform, put forward suggestions on planning policies to spur consumption from the perspective of income distribution. First, more policy support should be provided to ordinary workers, to increase the proportion of labour remuneration in overall income distribution, and balancing labour remuneration with government tax revenue and capital income. Second, incentives should be given to innovation and knowledge-intensive work to reward achievements in management, technology and other areas, which will be effective in expanding the middle-income group. Third, steps should be taken to grant urban residency to migrant workers.

From the perspective of companies, David S. Taylor, CEO of P&G, shared views on leveraging trade liberalization, industrial chain innovation and new technologies to stimulate consumption. First, China's continued efforts to further open up its markets can drive free trade, which in turn supports economic growth. Second, in addition to favourable policies, a robust industrial supply chain should be developed to better meet the rising demands of consumers. For instance, by developing the market in collaboration with partners, companies can identify consumer needs, expand product offerings, improve product efficiency, and enhance the customer experience across online and offline channels. Third, incorporating new technologies into products will also help vitalize China's consumer market. For example, companies can gain better insights into consumer trends through technology, and develop new products accordingly.

Zhang Wenzhong, founder of Wumart, offered his opinions on consumer confidence and the digitalization of offline retail. He first noted that consumer confidence is of vital importance to a prosperous economy in a post-COVID-19 world. Given consumers are holding back on spending largely due to the uncertainties created by the pandemic, targeted incentives should be put in place to support the to-business (2B) and to customer (2C) sides. Speaking of digitalization of offline retail, he highlighted the leading role China's offline retailers ought to play in spearheading consumption development. In view of the small size and weak foundations of the retail sector, offline retailers in China will need to embrace digitalization, and enhance their competitiveness by comprehensively integrating user experience, supply chain, offerings, and operations.

Wang Xiangming, chairman of China Resources Group, shared insights on industry development based on practical experience. He pointed out that continued urbanization, increased supply capacity, an optimized consumption structure, and new technologies and business models will be major driving forces of China's consumption market.

<End>

Acknowledgement: **Deloitte.**
德勤