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Commercial Model and Internal Cycle Growth

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Abstract: This paper explores and brings forth a persistent resilient self-motivated or self-growth driven commercial model. The model encompasses systems or mechanisms to avoid the shortage of a self-growth driven rural poverty alleviation system or mechanism. This paper discusses the achievements and the subjects to be tackled. The paper also discussed importance and contribution of economic growth as well as major economic strategy. As the model could generate a vigor self-growth driven pattern that could be duplicated all over the country, it makes an important strategy for internal cycle growth to mutually facilitate external cycle growth, and shall also applicable to less-developed countries around the world.

Keywords: Poverty Alleviation; Commercial Model; Internal Cycle Growth; Integrated Contract Farming

1. Introduction

Poverty alleviation or rural poverty alleviation is a vital subject for less-developed countries around the world. Mainland China has made a remarkable achievement in this respect. It has been attained through pragmatic problem-solving measures, thoughtful and prudent planning, and dedicated implementation. Mainland China had been formulating rural poverty alleviation policies in tandem with its development plans at progressing stages. For the five stages since 1978, there were different objectives and focuses. With over forty years of rural poverty alleviation experience, Mainland China has taken almost all measures in combating poverty. Nevertheless, there did not be some self-motivated and self-growth driven mechanism. What could a system or model have such characteristics.

2. Major Future Subject of Mainland China's Rural Poverty Alleviation

Since the opening-up in 1978, Mainland China had made outstanding achievements in rural poverty alleviation. It has been made through pragmatic problem-solving measures, thoughtful and prudent planning, and dedicated implementation. However, there is still in short of some self-motivated or self-growth driven mechanism.

2.1. Achievements of Rural Poverty Alleviation

Mainland China has been making remarkable achievements in rural poverty alleviation since its opening-up in 1978. In 2019, the rural poverty population's per capita net income in Mainland China reached 9,057 Renminbi (RMB) (China Daily, 2020) or US\$1,298 by the 2019 year-end exchange rate. The figure had been over the per capita gross national income (GNI) of US\$1,018 and US\$1,222 for the 2021 inclusion and graduation thresholds for low-income countries by the World Bank. Mainland China's data showed 16.6 million rural poverty populations at the 2018 year-end, representing 1.2% of the 1,395.38 million total populations (National Bureau of Statistics of China, 2019). From 2015 to 2019, it reduced over 1.1 million rural poverty populations annually. Following the trend, Mainland China shall roughly eliminate poverty in 2020, achieving the objective of poverty extinguishment in the year (Pan, 2018).

According to the different characteristics of REER and RGDP, this study distinguishes the impact of the two on China's consumption trade import, total trade imports and import trade structure. Because of the

relationship between the variables applied in this study, the linear regression method usually cannot make an effective estimate of the causal relationship between variables (Wang *et al.*, 2012). The unlimited vector autoregression model (VAR) is used to test and analyze, and the VAR model is established:

$$Y_t = \alpha_0 + \alpha_1 Y_{t-1} + \alpha_2 Y_{t-2} + \cdots + \alpha_p Y_{t-p} + \varepsilon_t \quad t = 1, \dots, T \quad (1)$$

where $Y_t = (RSIM, RTIM, RSTIM, REER, RGDP)$. Since the VAR model requires the system to be stable, the ADF stability of each variable is tested first followed by the Johansen cointegration test method for the long-term cointegrated relationship between the variables. Finally, the impulse response effect is analyzed.

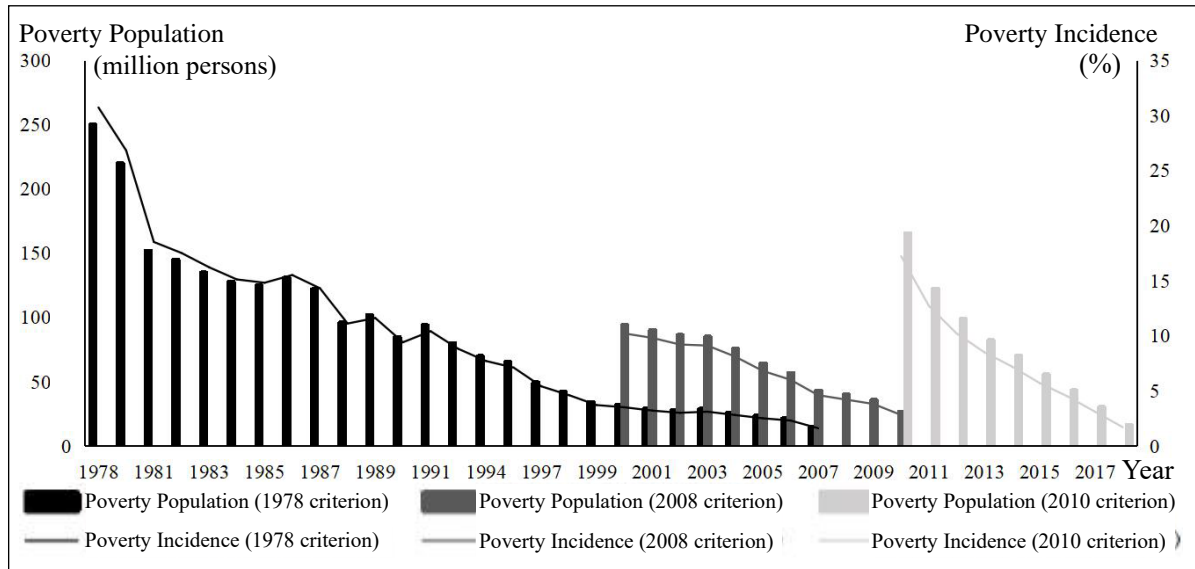


Figure 1. Mainland China's rural poverty population and incidence trend.

2.2. Policies Regarding Rural Poverty Alleviation

Mainland China's outstanding achievement in rural poverty alleviation has been attained by pragmatic problem-solving measures evolved into thoughtful and prudent planning and implementation in tandem with the country's development plans at progressing stages. From 1978 up to the present, policies have undergone five stages (Feng and Pei, 2014):

2.2.1. System Form (1978~1985)

The achievement could be more clearly shown by decreasing the rural poverty population and poverty incidence rate since 1978. While its rural poverty line had been revised upward twice, rural poverty incidence dropped from 30.7% in 1978 to 1.7% in 2018 and to 0.6% in 2019; rural poverty population decreased from 250.0 million in 1978 to 16.6 million in 2018 and to 5.5 million in 2019.

Table 1. Unit root test results for all variables.

Variables	Test type (C, T, K)*	ADF-statistic	Test critical value (5% level)	Conclusion
RSIM	(0, 0, 2)	0.6349	-1.9591	Not stable
RTIM	(0, 0, 2)	0.9180	-1.9591	Not stable
RSTIM	(0, 0, 1)	0.0410	-1.9581	Not stable
REER	(C, T, 1)	-2.3444	-3.6450	Not stable
RGDP	(C, T, 0)	-3.8308	-3.6329	Stable
Δ RSIM	(C, 0, 0)	-3.7734	-3.0124	Stable
Δ RTIM	(C, 0, 1)	-3.6301	-3.0207	Stable
Δ RSTIM	(C, 0, 3)	-3.9150	-3.6908	Stable
Δ REER	(0, 0, 1)	-2.6949	-1.9591	Stable

* C denotes intercept; T denotes trend; K denotes lag length

2.2.2. System Reform (1986~1995)

Finally, with the development of China's economy and the deepening of marketization, the appreciation of the real effective exchange rate of RMB will reduce China's imports and exports at the same time. Relying solely on RMB exchange rate adjustment cannot effectively affect the trade surplus brought about by processing trade, and the impact of RMB exchange rate adjustment on China's overall trade surplus needs to be further studied.

3. Conclusions

This study finds that the appreciation of the real effective exchange rate of RMB will lead to a decrease in consumption trade imports and total trade imports at the same time, while China's total trade imports are more sensitive to fluctuations in the real effective exchange rate of RMB. In contrast to China's consumption trade imports are relatively unaffected by the real effective exchange rate fluctuations of RMB, the import trade structure shown by the proportion of consumption imports is increased. Estimation results of this study also provide evidence that the price effect of RMB's real effective exchange rate is greater than the income effect of GDP growth for total trade imports and import trade structure rather than consumption trade imports.

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