

Make Coordinated Efforts to Advance the Building of Modern Circulation System in the Context of the New Development Pattern

Shaohua Yi*

The circulation system links production and consumption. It is not only the basis on which the new development pattern is built but also an important guarantee for achieving domestic circulation. During the 14th Five-Year Plan period, improving the modern circulation system is essential for ensuring unimpeded domestic circulation and supporting high-quality economic development. This paper expounds on the new changes of and requirements on the circulation system under new circumstances, summarizes the current situation of the circulation system, analyzes the problems and challenges that the circulation system is faced with according to new requirements, and makes recommendations and puts forward main measures in a targeted way, so as to provide references for promoting coordinated development of the modern circulation system.

Keywords: modern circulation system, new development pattern, logistics

1. A Rethinking on the Circulation System under the Background of the New Development Pattern

1.1. The New Positioning of the Circulation Industry in the New Development Pattern

We shall step up efforts to form the new development pattern in which domestic and overseas markets reinforce each other, with the domestic market as the mainstay, which, under the new historical conditions, is not only an important judgment made by the CPC Central Committee by sizing up the international and domestic environments, but also the overall guidance and planning for the current and future economic work. Under the new circumstances, to achieve the new development pattern of dual circulation, we shall take advantage of the strong domestic industrial base, complete chain, large maneuver room, and super-sized domestic market in

* Shaohua Yi (email: yishh@cass.org.cn), Research Fellow of the National Academy of Economic Strategy, CASS. This paper is a phased result of “A Study on the Path, Mechanism and Policy System for Bidirectional Promotion of Innovation in Circulation Forms and High-Quality Consumption” (19AJY020), which is a key program of the National Social Science Fund of China, and a phased result of “The Theoretical Mechanism and Policy System for the High-Quality Development of Consumption to Promote the Formation of a Strong Domestic Market” (CJY2019B005), which is an innovative project of the National Academy of Economic Strategy, CASS.

spite of high uncertainties of the external environment, and promote self-circulation of the domestic economy by unblocking the reproduction links such as production, allocation, circulation, and consumption. It involves supply-demand circulation, industrial circulation, regional circulation, urban-rural circulation, and factor circulation, etc.; meanwhile, as a global market, China actively opens up to the outside world, continues to allow other countries and enterprises to share in opportunities in the Chinese market, and as a world factory, China continues to provide the world with made in China, created in China, and strives to build a new mechanism for interaction and communication between domestic economy and world economy. It represents a new situation in which the two markets and two types of resource relationships are rebalanced, and has a very strong practical basis and far-reaching significance.

Against the backdrop of the new development pattern in which domestic and overseas markets reinforce each other, with the domestic market as the mainstay, the circulation industry, as a leading and basic industry of the national economy, will further leverage the strategic role in guiding production, promoting consumption and ensuring unimpeded circulation of the national economy, and become an important force supporting high-quality development of China's economy. Based on the current realities, the circulation industry will experience the following changes in the 14th Five-Year Plan period.

1.1.1. The Circulation Industry Has a More Important Position

As the level of productive forces increases due to scientific & technological progress, China's economy has shifted from a production-oriented one to a consumption-oriented one, in which the circulation industry is directly linked with consumers, has natural advantages of acquiring information on consumer needs and grasping the changing trends of consumption, and can better integrate production resources and improve the efficiency of resource allocation, thereby establishing a rapid responsive demand-oriented production & marketing coordination system. In this process, the circulation industry shifts from "making an adventurous leap" of commodity value by receiving products from the production sector to leading the production sector to realize commodity value. It has the function of value realization, takes part in the process of value creation, closely links microcosmic market entities, and promotes smooth operation of the economic system. The circulation industry has a more prominent leading role and fundamental status and is as important as production in the new development pattern in which domestic and overseas markets reinforce each other, with domestic market as the mainstay.

1.1.2. The Functions of the Circulation Industry Are Given Higher Priority To

In accordance with Karl Marx's theory of the essence of circulation, the circulation

industry is the carrier of the “developed forms of commodity exchange”, which is intended mainly for commodity circulation and its relevant service areas. As social division of labor deepens and competitions intensify, the proportions of services in product manufacturing and commodity circulation increase over time, and the contents of the circulation industry extend from commodity circulation to commodity and its accompanying service circulation process. The *Recommendations of the Communist Party of China for Formulating the 14th Five-Year Plan for Economic and Social Development and Long-Range Objectives through the Year 2035* clarifies “improve the modern circulation system”, further expands the scope of the system and makes it cover commodity circulation, factor circulation, and industrial circulation, emphasizes the fundamental role of the circulation industry in expanding domestic demand and developing a robust domestic market, strengthens its industrial functions of great implications and strong driving effects, makes it become a carrier for moving faster to foster a complete domestic demand system, and gives full play to its comprehensive and supporting functions in innovating high-quality supply and creating new demands.

1.1.3. It Is More Urgent to Enhance the Development Quality of the Circulation Industry

Driven by technological advances, the circulation industry guided by innovative forms of business rapidly increases the level of modernization of circulation, but its development quality and efficiency have not yet met the requirements on the modern circulation system for the 14th Five-Year Plan period. In the complicated domestic and international environments, it is urgent for the circulation industry to align itself to the targets and requirements of the new development pattern in the aspects of industrial structure, industrial scale, development speed, corporate profitability, and industrial safety, etc., plan its development from a long-term and holistic perspective, and integrate itself with domestic circulation, so as to give better play to its basic role in the national economy, make itself better connect with the production system, increase the circulation efficiency, promote coordinated high-quality development of circulation, and contribute to the new development pattern.

1.2. New Tasks of the Circulation System

First, the circulation industry, as a link and bridge between domestic market and overseas market, promotes effective and deep connections between the domestic market and the overseas market by establishing a global supply chain and cross-border e-commerce platforms, etc. Second, the new development pattern relies and focuses on the domestic market. The circulation industry runs through the domestic market operation system, and the circulation system reflects the development of the domestic

market to a great extent. Therefore, to establish a sound circulation system, we need to foster strong circulation enterprises, establish a sound circulation network system, improve market order and environment, and promote the formation of a unified market. Third, driven by information technologies, circulation enterprises will face new tasks of building a new-type industrial chain and creating a production-marketing system led by consumption, with the new economy and new forms of business as a carrier.

2. The Current Situation and Main Performance of the Circulation System

Since the reform and opening up, the market mechanism has been introduced in China's traditional commodity circulation system, a circulation system with diversified competitions has formed, the circulation market has been expanding, and the circulation network system has been steadily improved. In recent years, thanks to the wide application of Internet and information technologies, in the areas of commerce circulation there was a constant stream of new forms of business and new models, which are characterized with information technologies, networking, intensification and smart technologies and have become an important force for driving consumption growth in the new normal of economy.

2.1. The Circulation Network Has Initially Taken Shape

China keeps intensifying efforts to build a circulation network system, its logistics network is gradually weighed from eastern China to central and western regions and extends from first-tier cities to second- and third-tier cities, and its coordinated interregional development has been further improved. So far, China has basically set up eight key circulation channels and established 37 state-level circulation nodal cities and 66 regional circulation nodal cities,¹ preliminarily forming a national circulation network. Meanwhile, China frequently formulates major strategies for regional development and speeds up its process of regional integration. The development of Yangtze River Economic Belt and the coordinated development of Beijing-Tianjin-Hebei region keep deepen and have become new driving forces for coordinated regional economic development, not only vigorously promoting regional coordination and improvement, but also enhancing the developmental integrity of circulation. Spearheaded by the 11 major commercial functional areas, namely the Bohai Rim, Yangtze River Delta, Pearl River Delta, Central Plains, Middle Yangtze River, Chengdu-Chongqing, Guanzhong-Tianshui, Yunnan-Guizhou-Guangxi, Gansu-Ningxia-Qinghai,

¹ The *Layout Plan on Circulation Nodal Cities in China (2015-2020)* jointly issued by the 10 ministries and commissions including the Ministry of Commerce, http://www.gov.cn/xinwen/2015-06/01/content_2871426.htm.

Xinjiang, and Harbin-Changchun, China focuses on the development of eight key market clusters (Beijing-Tianjin-Hebei market cluster, Yangtze River Delta market cluster, Northeast China market cluster, Pearl River Delta market cluster, Central Plains market cluster, Middle Yangtze River market cluster, Chengdu-Chongqing market cluster, and Shaanxi-Gansu-Ningxia market cluster), aiming to further increase the integration level of regional circulation markets through regional coordination.

2.2. The Gap between Rural and Urban Circulation Development Narrows

By coordinating development in urban and rural areas, China has strengthened the development of urban and rural business networks, accelerated the building of commercial outlets in rural areas, promoted integration of resources in business, supply & marketing, postal services, built a two-way circulation platform and a bidirectional circulation network for supplying rural areas with industrial products and agricultural materials and delivering agricultural & sideline products and waste & old materials to cities, and the level of rural circulation infrastructures has been gradually improved. Meanwhile, China takes the opportunity of promoting “e-commerce going to the countryside”, further increases the circulation capabilities in rural areas, builds county-level e-commerce service centers, township e-commerce service stations, and village-level e-commerce service points, encourages online sale of agricultural products, increases farmers’ income. Large e-commerce platform enterprises such as Alibaba, JD and Suning have set up e-commerce service stations in rural areas to meet consumer demand of rural residents.

2.3. The Modern Smart Logistics System Accelerates

In recent years, in China, e-commerce logistics and cold chain logistics have grown rapidly, the applications of technologies such as the IoT have deepened in the field of logistics, smart logistics systems including the logistics information service platform have been improved over time, and the commercialization, application of information technologies and specialization of logistics have been further enhanced. It is specifically reflected in the following aspects. First, the shared urban delivery system has been increasingly improved. So far, a pilot shared delivery program has been launched in 22 cities including Taiyuan and Changchun, and advanced technologies such as the IOT, automatic sorting and energy-saving cold storage are applied to explore the establishment of a new-type delivery service system. The efficiency of “last-mile” delivery has been increased by establishing a logistics network supported by logistics allocation centers, delivery centers, terminal delivery sites and delivery information service platforms. Second, logistics models are developed in an innovative way. Pilot programs are carried out in Tianjin, Shijiazhuang, Hangzhou, Fuzhou, and Guiyang to

explore new models for standard operation of city delivery vehicles and construction of delivery stations, including the joint delivery model with logistics as a carrier and running through the urban areas, the joint delivery model for self-employed people with specialized wholesale market as a carrier, the inter-store joint delivery model with trading enterprises as a carrier, and a terminal joint delivery model with service facilities such as community convenience stores as a carrier. Third, the modern cold chain logistics develop rapidly. China encourages enterprises engaging in production, processing, cold chain logistics, and trade services of agricultural products to renovate and build cold chain logistics infrastructures that are adapted to the needs of modern circulation and consumption, guides the use of various new-type cold chain logistics equipment and technologies, promotes the use of full-time temperature monitoring equipment, and improves the process management and standard coordination for precooling at places of origin, cold storage at sales areas, fresh-keeping transportation, and processing for preservation, etc., so as to achieve seamless connection of cold chain logistics from the place of origin to markets.

2.4. The Commerce Circulation Becomes More Internationalized

To adapt to the new economic circumstances of opening up, commerce circulation keeps deepening in domestic and international markets. On the one hand, China accelerates the development of international logistics parks and cross-border e-commerce, establishes new overseas circulation centers and exhibition centers by means of mergers, acquisitions, equity participation, and capital increase, carries out online and offline integration with cross-border e-commerce platforms, and expands overseas presence of circulation enterprises; meanwhile, it rapidly develops a number of integrated service platforms for cross-border trade and e-commerce in international and domestic markets and ensures the establishment of smooth circulation networks at home and abroad. On the other hand, as China lowers step by step the threshold for foreign investment to enter the circulation field, it encourages more and more foreign investments in logistics services such as joint delivery, chain delivery, and delivery of fresh agricultural products, and guides transnational corporations to set up functional regional centers such as procurement and marketing for better and effective connections with the domestic market.

2.5. Various New Forms of Circulation Businesses Emerge

The development of e-commerce has made huge impacts on traditional circulation enterprises, promoted innovation in forms of circulation business, achieved reconstruction of business models, made innovations in way of circulation, and has given birth to new circulation models and circulation enterprises. It is mainly reflected

in the following aspects. First, e-commerce penetrates in whole circulation industry covering retail, wholesale, logistics, life services, and commercial services, and online B2C, C2C and O2O firms keep expanding their offline operations. Meanwhile, traditional circulation enterprises shift from offline operation to online operation, expand online channels by setting up websites and cooperating with third parties, offer various services by using new technological platforms such as WeChat, App, and WeChat store, and shift from a single channel to multiple channels. Second, multi-business operation model has gradually become a trend, a number of non-standard new forms of business have been innovated, unitary circulation enterprises are shifting to integrated service providers, the proportion of sales of new forms of business to that of the circulation industry rises rapidly, commercial enterprises further integrate with forms of business such as catering, creativity and leisure to generate diversified forms of business and offer more comprehensive services. Third, traditional businesses show obvious trends of being based on community, convenient and intelligent, new-type convenience stores develop rapidly and constantly offer innovative services, brick-and-mortar retails increasingly integrate with various convenience services, and community-based commercial O2O has become a new form of the circulation industry. There is a constant stream of new-type community business models featuring online and offline integration, and the new concepts such as sharing economy, Internet celebrity economy, and new retail are gaining popularity.

2.6. A Green Circulation System Has Been Preliminarily Established

A green circulation system has been preliminarily established. Centering around saving energy and resources and reducing consumption, China promotes green procurement, packaging and logistics, develops green shopping malls, markets, and supply chains, adopts preferential measures to guide green production, promotes green consumption, and encourages green circular development. Specifically, it has taken the following measures. First, build a green supply chain. Give priority to the purchase of raw materials, products and services that are energy-saving, low-consuming and facilitate comprehensive resource utilization by means of exhibition, physical store, online store and Internet platform, guide manufacturing enterprises to achieve low-carbon production, restrict or refuse high energy-consuming, high-polluting and over-packaged products, build a green and low-carbon supply chain, set up special shops and areas to demonstrate, promote and advertise green products that have energy efficiency label and low-carbon certification, and achieve positive results in the aspects of greening, reducing waste and resource consumption, and recycling, etc. Second, set up green circulation enterprises. Relevant departments have issued a number of industry standards including the *Standards for Energy Efficiency in Supermarkets*, *Standard for Disposal of Wastes*, and *Green Shopping Mall*, promoted the development of

green markets, shopping malls and restaurants, and set up a number of green shopping malls integrating energy-saving transformation, energy-saving product sale and waste recycling by means of standard setting and national certification. So far, 315 green shopping malls have been set up in China.¹

2.7. Innovative Technological Applications Accelerate and the Level of Applications of Information Technologies Further Increases

The wide applications of emerging technologies such as the Internet, IOT, cloud computing and big data have increased the level of application of information technologies and smart technologies in the circulation industry, improved the circulation efficiency and enhanced the level of modernization of the industry. It is mainly reflected in the following aspects. First, the level of application of information technologies and the level of modern operation and management in circulation enterprises have been increased. Some large-scale circulation enterprises, by using the supply chain management system (SCM), have realized integrated and unified management of supply, marketing, storage, personnel, funds and properties, forming a responsive system ranging from demand forecasting, ordering, delivery and settlement and entering the management system stage integrating business automation technologies and network information technologies. Second, the application of information technologies has been increased in business premises, making consumption more convenient. Smart devices of WIFI, QR code scanning and electronic tag are available in most convenience stores, supermarkets and department stores, third-party payment services are widely used, and the level of smart services of circulation enterprises has been increased.

3. Main Problems and Challenges

3.1. A Unified and Open Circulation Market System Is Not Perfect

In recent years, China has been committed to developing a unified and open domestic market, but regional protectionism remains serious, administrative monopoly, regional blockages, and industrial monopoly of various degrees persist, interregional markets are artificially blocked, the problem of inter-provincial market segmentation remains, and the inconsistent tax policies have affected cross-regional chain operations of enterprises. The lack of interregional cooperation & coordination mechanism and the existence of various regional policies make it impossible to freely transfer the

¹ Xinhuanet: List of “Green Shopping Malls” in 2020: 42 New Wanda Plazas Make the Group Top of the Industry, <https://baijiahao.baidu.com/s?id=1693837534356002473&wfr=spider&for=pc>.

resources such as talents and fund between different regions, causing that it hardly develops a market system featuring “general market and general circulation” and greatly increasing the additional transaction cost, namely the institutional cost.

3.2. Circulation Infrastructures Need to Be Improved

Against the backdrop of the increasing demands in commerce circulation, China’s infrastructures of transportation, warehousing, logistics, finance and telecommunication are relatively backward, there are insufficient major bulk of commodity trading markets, key commodity & materials reserve centers, logistics parks, multimodal transport centers, road ports, regional delivery centers, express allocation centers and other logistics depot facilities, and the carrying capacity of commerce circulation services is relatively low. On the whole, the following problems remain: excessive commodity circulation links, and high costs and low efficiency of circulation, etc. In some circulation nodal cities, there is a lack of supporting commercial facilities and some commercial outlets are remodeled due to the excessively high rent, which is caused by the price increase of land. The functions of circulation nodal cities such as production, service, consumption, foreign trade, and transfer still need to be improved, and the problems such as excessively high logistics costs as well as deficiencies in product quality, safety and consumption environment still exist, restricting the circulation functions and further improvement of circulation efficiency.

3.3. The Layout of Circulation Infrastructures Is Unbalanced

Currently, China’s circulation industry is still in the stage of extensive development, featuring unbalanced layout of the circulation network and facilities, obvious interregional gap of the development of circulation facilities, and large gap in terms of density of circulation nodes between eastern, central and western regions. The urbanization level, development history and density of the circulation network vary in different regions. The level of circulation facilities in eastern China is higher than that in central and western regions. The development of commercial outlets, logistics nodes, and circulation infrastructures in central and western regions, old revolutionary base areas, areas with concentrations of ethnic minorities, border areas, and areas with relatively high incidences of poverty is relatively backward, while in eastern China there are a better circulation network, higher-level infrastructures and more competitive logistics entities. The number of wholesale markets above designated size in eastern China accounts for more than 70% of the total wholesale markets in China, while that in central and western regions accounts only for about 30% (Liu, 2018), the gap is widening, and the infrastructures in eastern, central and western China need to be improved.

3.4. The Agricultural Product Circulation Facilities Lag Behind

On the whole, in China's rural areas, the circulation industry is poor in modernization, application of information technology, and professional development, and the ways of modern circulation such as e-commerce, logistics delivery, and cold chain facilities develop slowly, public agricultural product circulation facilities need to be improved. It is insufficient in specialized wholesale agricultural product circulation markets in circulation centers and main circulation locations, facilities for integrated processing and delivery of agricultural products, cold chain logistics system, rural postal service logistics facilities, agricultural product tracing system, and agricultural product circulation public information service platform, etc., restricting the development of agricultural product circulation. Particularly, some circulation nodal cities are restricted by backward public circulation infrastructures such as agricultural product public logistics delivery center, inspection & testing center, fire safety monitoring center and waste disposal facilities. It lacks national and regional non-profit wholesale agricultural product markets in places of origin, circulation centers, and sales areas, as well as nonprofit agricultural product retail outlets such as non-profit vegetable markets and low-priced vegetable stores in circulation nodal cities, making it difficult to meet the requirements on circulation development and consumer needs.

3.5. The Level of Application of Information Technologies in Circulation Facilities Remain Low

Currently, China's circulation industry is poor in innovation-driven R&D, investment and promotion of technology, as well as information infrastructures of the Internet, IOT and mobile telecommunication. The application of modern information technologies such as cloud computing and big data is still at the initial stage. The technological application and information processing capabilities of circulation enterprises lag far behind, and the equipments for application of information technologies are insufficient. It is lack of an effective trade logistics public information service platform for sharing, coordinating and integrating information resources, without a unified standard for information collection and sharing. The intelligent logistics delivery system needs to be strengthened, electronic waybill, temperature & humidity record system and IOT technologies are not effectively promoted, data development technologies such as "Internet + urban -rural delivery", smart cold chain warehousing technologies and big data need to be further strengthened, and the overall level of automatic and smart logistics is not high.

3.6. The Organizational Level of the Circulation Industry Is Relatively Low

Compared with world-renowned circulation enterprises, Chinese circulation

enterprises still lag far behind. There are no international circulation enterprises with support force, innovation capacity and driving force. In China, the circulation industry features relatively low concentration and intensification, and most circulation enterprises are scattered, small and weak and their service methods and means are poor and simple. Moreover, the circulation industry has the disadvantages of weak market competitiveness, insufficient value-added services, poor connections with the value chain, supply chain and industrial chain of manufacturing enterprises, inadequate service abilities, immature scale effect, and relatively low enterprise competitiveness. Particularly, most of those involved in agricultural product circulation are scattered self-employed entrepreneurs, of whom peddlers constitute a principal part. It is lack of new-type agricultural businesses such as large and specialized family operations, family farms, farming cooperatives, agricultural business service companies and leading enterprises of agricultural industrialization, with relatively low organizational level.

3.7. The Standardization System of the Circulation Industry Is Backward

To build a nationwide circulation system, we need to build a multi-industry and trans-regional operation system and effectively link different processes and industrial systems, which depends on a set of uniform industry standards. Currently, China's standardization of circulation is relatively backward, affecting the development of the circulation network. On the one hand, the standardization of different logistics & transportation equipment is inadequate and the standards for transportation equipment of different modes of transportation vary, affecting transfer and intermodal transport between them; on the other hand, the inconsistent circulation information standards make it difficult to share and coordinate information on transport, storage and market among different circulation enterprises.

4. Main Measures and Suggestions to Improve the Modern Circulation System

4.1. Main Measures

4.1.1. Develop a Modern Supply Chain and Ensure Unimpeded Supply-Demand Circulation

First, increase R&D investment, improve R&D design level. As consumption continues to upgrade, low-end products are gradually replaced by high-end products and the low-end markets shrink over time, further intensifying competitions. Only by increasing R&D investment and R&D design level, can small and medium-sized enterprises avoid homogeneous competitions, meet the increasing consumption needs of domestic residents, and make a leap from the low-end industrial chain to the high-

end industrial chain. Second, fully leverage emerging technologies such as the IOT, cloud computing, big data, and AI, and fully identify the needs of consumers; use customized modes of production to rapidly produce personalized products that can meet consumers' needs. Third, vigorously pursue structural upgrading and innovation of the entire supply chain, build a full-chain and even global supply chain system ranging from R&D design and manufacturing to after-sales services, and strive to make China strong in supply. Supply chain is an efficient and collaborative form of organization that is under the precondition of meeting consumption needs, running through production and service, covering the entire process of product design, procurement, production, marketing, and service. It is an important means for the supply-side structural reform and industrial upgrading, and an important carrier for enhancing the global competitiveness. As information technologies evolve, supply chain has entered into the new phase of smart supply chain featuring deep integration with the Internet and IOT. Accelerate innovations in supply chain and relevant industries in organization form, business model, and way for government governance, and actively and effectively promote supply-side structural reform in the aspects of resource integration, effective coordination in the entire process ranging from production to consumption, reducing transaction costs, increasing operation efficiency and service quality, and accelerating industrial upgrading.

4.1.2. Strengthen Two-Way Circulation and Smooth Urban-Rural Circulation

First, intensify efforts to increase investment in infrastructure construction in rural areas and backward regions in western China. Particularly, make rational plans and expand the traffic network and information network in rural areas and western China, improve the circulation environments in rural areas and backward areas, and support large circulation enterprises to develop multi-tiered commercial outlets in urban and rural areas.

Second, enhance the integration of two-way product circulation between urban and rural areas, remove the institutional barriers between cities and rural areas, strengthen urban-rural circulation planning, circulation policies, circulation infrastructure construction and integration between the logistics system and the information system, lay emphasis on fostering rural circulation entities such as agricultural cooperative organizations and rural chain supermarkets at the microscopic level, so as to provide favorable conditions for two-way circulation between urban and rural areas.

Third, advance the construction of large-scale wholesale agricultural product markets, build a coordinated nationwide market network for agricultural product circulation, boost the construction of modern comprehensive demonstration zone for the modern circulation of agricultural products, foster large regional wholesale agricultural product markets, and give better play to the function of benefiting farmers and the people in urban and rural commerce.

4.1.3. Develop Quality Home-Made Goods and Ensure Unimpeded Domestic Industrial Circulation

First, support enterprises to enhance their R&D and design capabilities and carry forward craftsmanship. Provide pilot enterprises of quality home-made goods with relevant preferential tax supports in accordance with the standards for hi-tech enterprises. The government provides relevant R&D subsidies to encourage pilot producers to strengthen design and R&D, increases spending on technological innovation, to foster the awareness of offering quality products, and to increase the development level of core basic parts and materials, and advanced technologies, etc.

Second, support enterprises to produce products for the Chinese market in strict accordance with international standards for export. Establish a standard system for sale in the domestic market in accordance with the single standard for both the domestic and international markets. Guide manufacturers to produce quality home-made goods for the domestic market in accordance with relevant strict standard. The domestic high-quality products can be considered to be subsidized in accordance with corresponding export tax rebates.

Third, establish a mechanism for quality inspection, assessment and certification of home-made goods. Offer subsidies for relevant certifications, carry out third-party quality certification for products and only allow those products which have reached international high-quality standards through certification and assessment to be marketed. Encourage manufacturers to create their proprietary brands to enhance added value and soft power of products.

Fourth, create a favorable circulation environment for selling quality home-made goods. Encourage production and circulation enterprises to use various media to actively promote quality home-made goods, raise the popularity and reputation, and create a good image. Intensify efforts to crack down on the manufacture and sale of counterfeit or shoddy goods, as well as unlawful acts related to product quality, improve and promote the systems of punitive compensation, class action, and mandatory recall, and link administrative penalty with criminal penalty.

4.1.4. Strengthen Integration of Domestic and Overseas Markets and Ensure Unimpeded Domestic and International Circulations

Continue to advance the Belt and Road Initiative and the development of free trade zones, strengthen the guiding role of planning, establish medium- and long-term market development plans based on international competitions, encourage enterprises to absorb advanced production factors through setup or mergers & acquisition of R&D institutions, and foster international famous brands. Actively seek to sign bilateral investment protection treaties with foreign countries, establish intergovernmental

commerce circulation coordination mechanisms, improve the support policy system, provide overseas investments of enterprises with comprehensive services in the aspects of public finance, tax, foreign exchanges, credit, information service, and technical assistance, etc.

4.2. Suggestions

4.2.1. Further Deepen Reform of Institutions and Mechanisms and Establish a Sound General Circulation Management System

Accelerate governmental function transformation, continue reforms to streamline administration and delegate powers, improve regulation, and upgrade services, and remove the systematic and institutional obstacles hindering circulation development. Specifically, first, establish a general circulation management mechanism, break through industrial boundaries, strengthen comprehensive coordination between different departments and areas, strengthen resource integration and improvement in the circulation field, and establish a consultation and sharing mechanism for cross-regional cooperation; second, establish a system of power list and negative list in the circulation field, delegate more power to lower-level governments, increase administrative efficiency, and further improve the business environment.

4.2.2. Strengthen Top-Level Design and Make a Plan on Establishing a Sound Nationwide Circulation Network

Promote coordinated planning of the development of a nationwide circulation network, and require all local governments to develop their corresponding plans on building circulation systems in accordance with actual development needs, strengthen effective links between relevant plans such as the circulation network development plan, urban-rural plan, land plan, and transport plan, etc., coordinate and integrate resources, and leave room for the development of the circulation system. In this process, we shall make rational plans on the development of the traffic networks and information networks in rural areas and backward areas in western China, enhance the capabilities of coordinating the circulation system between different regions, improve the layout of the nationwide circulation network, strengthen functional zoning, increase the operational quality and efficiency of the circulation system; formulate a medium and long-term development plan on the circulation industry, make long-term plan on industrial development and market expansion roadmaps based on international competitions in the contexts of the Belt and Road Initiative and the development of free trade zones in accordance with the requirements on the new development pattern.

4.2.3. Strengthen the Construction of the Legal System and Improve the Market Environment

Improve the legal system related to circulation. First, focus on the construction of legal system related to the development of circulation infrastructures, support for commodity circulation, circulation order and market supervision, and provide legal system guarantee for improving the modern circulation system. Second, remove local blockage and industrial monopolization, abolish in a timely manner laws and regional regulations that abuse administrative power and impede fair market competitions, promote the system of fair competition review in an all-around way, intensify efforts to establish a mechanism for anti-monopoly investigation, and provide guarantee for building open and orderly market environments. Third, strengthen to build the circulation standard system. Promote unification of various standards at different levels in the circulation field, facilitate effective connections amongst standards, accelerate formulation and implementation of standards in key areas such as smart logistics, e-commerce, and agricultural product circulation, improve the supervision and evaluation system for the implementation of circulation standards, strengthen the use of standards in administrative management such as certification, testing, market access, and supervision of law enforcement, and provide supports for developing a nationwide unified circulation standard system. Fourth, strengthen the system for protection of consumers' rights and interests, introduce the *Law on Consumer Safety* as soon as possible, raise the standard and supervision of consumer goods to the level of law and regulations, and immediately detect and shut down enterprises which have caused severe events related to consumption safety and hold them accountable for their criminal responsibilities; work faster to modify the *Law on the Protection of Consumer Rights and Interests* and intensify efforts to protect the personal and property safety of consumers.

4.2.4. Intensify Efforts to Work Out Supporting Policies and Measures and Help the Construction of the Modern Circulation System

First, intensify efforts to increase fiscal and special spending on the construction of circulation infrastructures, particularly, make more investments in the construction of circulation facilities in central and western regions and backward rural areas; make innovations in the investment and financing system, guide social capital in the construction and operation of nonprofit and public circulation infrastructures, encourage social capital to set up funds for investments in circulation infrastructures, establish a permanent mechanism for investment in construction; expand the ways of financing of circulation enterprises so as to reduce the financing costs, including encouraging issuance of funds and bonds, etc.

Second, strengthen land supply for circulation facilities, give full consideration to the needs for long-term development of the circulation industry in the overall plan on land use, overall urban planning and comprehensive transport planning, give priority to the demands for land use for public welfare circulation facilities such as national reserve warehouses of key commodities, wholesale agricultural product market, logistics centers, and site for recycling of renewable resources; encourage enterprises to use various resources to build circulation infrastructures, give priority to meeting the needs of current development of the circulation industry without changing the land user and planning conditions, and make up for weaknesses of unbalanced supply quality of modern circulation facilities.

Third, intensify efforts to take measures for reduction and exemption of taxes and fees. Adopt a tax rate with lower VAT so as to alleviate the burden on business in accordance with the actual situation of circulation enterprises, and reduce and exempt taxes and fees on construction of large-scale and key circulation infrastructures in appropriate proportions. Speed up reform of the income tax administration of trans-regional enterprises paying taxes collectively and levy income tax on them at their business premises, encourage trans-regional operation of circulation enterprises and increase the rate of chain operations.

4.2.5. Enhance Circulation Technologies and the Level of Modernization, and Consolidate the Foundation of Circulation

Intensify efforts for technological innovation, give priority to accelerating the wide applications of new-generation information technologies such as the Internet, big data and cloud computing in the circulation field, and increase the modernization level of the circulation field. It mainly involves the following aspects: promote transformation and upgrading of technical equipment and facilities such as electronic tag and big data analysis, increase the level of application of information technologies and smart technologies in the circulation field; accelerate deep integration of new forms of business and industries such as manufacturing, transport and finance, further extend the industrial chain, encourage circulation enterprises to integrate resources across industries and regions, enhance the regional radiation capability of circulation enterprises to facilitate and expand the influences of the circulation network and channels.

Accelerate the development of national circulation public information platforms. Promote the sharing of nationwide circulation information resources and the development of coordination platforms, build a large platform integrating operation monitoring, safety monitoring and data sharing of the circulation system, provide circulation enterprises with support services, and further enhance government's capabilities for supervising and providing public services for the circulation industry.

4.2.6. Encourage Circulation Enterprises to “Go Global” and Export-Oriented Enterprises to “Return to the Domestic Market”

Compared with world-renowned circulation enterprises, Chinese circulation enterprises still lag far behind and China is lack of international circulation enterprises with support force, innovation capacity and driving force. Therefore, China urgently needs to speed up to guide domestic circulation enterprises to play an active part in international competitions, cooperate with cross-border e-commerce platforms, gain experience in understanding local market, brand implementation, and local channels layout, etc. It shall encourage domestic and international circulation enterprises to support each other, assist domestic circulation enterprises in international operation and facilitate integrated development of the domestic and international markets.

When advancing domestic circulation enterprises to take part in international market competitions, we shall help export-oriented enterprises explore the domestic market. Under the condition of the new development patter with the domestic market as the mainstay, more and more export-oriented enterprises have turned to the domestic market. However, due to the lack of domestic circulation channels and unfamiliarity with domestic market environments, such export-oriented enterprises can neither truly enter the domestic market nor create brands. Therefore, we shall provide enterprises with services through industry associations, chambers of commerce or other third-party organizations, remove the bottlenecks and problems that export-oriented enterprises are faced with when exploring the domestic market, help enterprises establish a close coordination relationship from manufacturing to circulation, remove obstacles preventing export-oriented enterprises from returning to the domestic market, and increase the quality of the modern circulation system.

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