

Countermeasures of China under the Trend of Consumption Internationalization

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With improvement of China's economic development and integration into the globalization, the increasing international influence of China's consumer market, and progressing consumption upgrading, the internationalization of the subject, object and carrier of China's consumer market is becoming more and more obvious. Based on a theoretical review of consumption internationalization, this paper defines the connotation of consumption internationalization, and summarizes the characteristics and the problems of China's current consumption internationalization. A series of policy suggestions are provided, including a more abundant supply of medium and high-end commodities, a better consumption environment for imported goods, a sound tax exemption and refund service system, an expanded inbound tourism and so on. This paper believes that the degree of integration of various elements such as the subject, object, and carrier between domestic and foreign market still needs to be improved in China. We should follow the trend of consumption internationalization and promote the upgrading of China's consumption to a higher level.

Keywords: consumption, internationalization, consumption abroad

As income rises and the quality of life improves, Chinese residents are quickening the pace of upgrading their consumption structure, imported consumer goods are rapidly increasing, and the potential of service consumption in culture, tourism, education and health is constantly being released. The consumption is shifting from meeting basic living needs to paying more attention to quality and taste, with the proportion of service consumption increasing significantly. The internationalization of the consumer market is growing more prominent as the trend of consumption upgrading has driven residents to consume overseas goods or travel abroad for consumption. In recent years, China has held three consecutive import expos, carried out pilot projects to renovate and upgrade pedestrian streets, and fostered international consumption center cities and other policy initiatives. Such efforts have expedited the gathering of domestic and international consumption subjects and resources in the China's consumer market and further promoted the internationalization of the

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market. The research on the current consumption upgrading in China needs to be placed under the general trend of consumption internationalization. We need to analyze the characteristics and problems of the current consumption internationalization and put forward corresponding countermeasures and suggestions. More importantly, we need to focus on the future development direction and lead China's consumption internationalization to a higher level.

1. Consumption Internationalization and Its Development Law

As an economy develops and integrates itself into globalization, the flows of business, logistics, capital, information and people at home and abroad become more frequent. The domestic and international consumer markets are deeply integrated, while the subjects, objects and carriers of a country's consumer market are increasingly international in nature.

1.1. Connotation of Consumption Internationalization

Marx's economics divides social reproduction into four interrelated links: "production, distribution, exchange and consumption", and puts forward the development origin of consumption internationalization earlier. The Communist Manifesto presents that "because of opening up the world market, the production and consumption of all countries have become worldwide. Their products are not only for domestic consumption, but also for consumption across the world. Old needs, satisfied by domestic products, were replaced by new ones, which had to be satisfied by products from extremely distant countries and zones". It can be seen that the initial development of consumption internationalization is characterized by the fact that the consumer needs of a country's population are met by the products of other countries in the context of the worldwide distribution of products.

Currently, there is no unified concept of consumption internationalization in academic circles, and limited research is conducted in this field. After joining the WTO in 2001, Chinese scholars began to conduct research on the development of consumption internationalization. Early scholars defined the consumption internationalization as the influence of countries across the world on the supply, commodities and consumer habits of Chinese residents' consumer market. The definition is embodied in the shrinking of price difference and circulation time gap between domestic and international consumer markets, and the proximity of domestic consumers' consumption demand to that of the international market, etc. The impact of consumption internationalization on Chinese residents' consumption includes two-way positive and negative effects. Some scholars later put forward the concept of consumption globalization against the background of economic globalization. From the

perspective of sovereign states, they proposed that consumption internationalization is a situation in which consumption objects in a country are consumed by consumption subjects in other countries and that consumption internationalization is at the basic, primary stage and important manifestation of consumption globalization.

With the advancing studies, the concept of consumption internationalization has been further extended. It is defined as “the freedom of choosing goods or services in consumers’ decision making and the level and quantity of consumption based on such options” against the background of open economic development. It is also suggested that the consumption internationalization is the inevitable result of internationalizing the production and distribution of a country and the consumption internationalization is a manifestation of the consumption level of residents in the context of open economic development. In recent years, some scholars have argued that consumption internationalization is a concept with Chinese characteristics. It epitomizes a series of research triggered by the transformation of China’s domestic and international markets from long-term segmentation to gradual integration, while the less research in this field in the developed Western markets is due to the actual development of their long-term high-level integration of domestic and international markets.

To sum up, this paper considers that consumption internationalization is the internationalization of the subjects, objects and carriers of a country’s consumer market in the context of global economic integration, which includes residents consuming imported goods within the country, residents going abroad to consume goods or services, and residents from other countries going to the country to consume. The advancement of consumption internationalization is also a manifestation of the gradual maturation of consumer market.

1.2. Development Law of Consumption Internationalization

Consumption abroad is among the characteristics of consumption internationalization. In recent years, with the gradual improvement in China’s consumption, the supply-demand mismatch has led to a slowdown in the growth rate of China’s total retail sales of consumer goods while the scale of overseas consumption continues to expand. This phenomenon is more evident in high-end consumption. The disparities between domestic and foreign consumer markets, such as the price difference between domestic and foreign products, the quality assurance of overseas products and the quality service of overseas stores, have led to the continuous growth of overseas luxury consumption, higher than that in China. Some scholars are concerned that this is not only detrimental to the realization of consumer welfare, but also impedes the mechanism of consumption upgrading leading to industrial upgrading, which leads to the loss of production and further aggravates the imbalance between the consumption structure and industrial structure. However,

international development experience reveals the continued presence of consumption abroad as the internationalization of consumption advances. The scale of consumption abroad of UK residents rose from GBP 6.08 billion in 1986 to GBP 45.44 billion in 2018, while that of US residents increased from USD 2.1 billion in 1959 to USD 186.9 billion in 2018 (see Figure 1). The scale in both the UK and the US continued to expand in the consumption internationalization. It can be said that consumption abroad is an important feature of economic globalization and consumption internationalization.

The clustering of products and factors is an important condition for the internationalization of consumption. The UK, the US and Japan have all relied on their strong capabilities in integrating domestic and international resources to promote the diversification of their consumer markets, build an open, inclusive consumer environment, and create iconic business belts with global influence, thereby facilitating the creation of a number of international consumer hubs such as London, New York and Tokyo. By doing so, they can attract domestic and foreign residents to consume in their countries, achieving sustained growth in the size of their consumer markets and the high-level international development of consumption. From the 20th century onwards, foreign residents' spending in the UK rose from GBP 5.55 billion in 1986 to GBP 23.16 billion in 2018, and that in the US surged from USD 1.1 billion in 1959 to USD 217.7 billion in 2018. As the internationalization of US consumption has increased, overseas consumption by US residents has been surpassed by foreign residents' consumption in the US since 1989, with the US consumer market demonstrating a higher international appeal (see Figure 1).

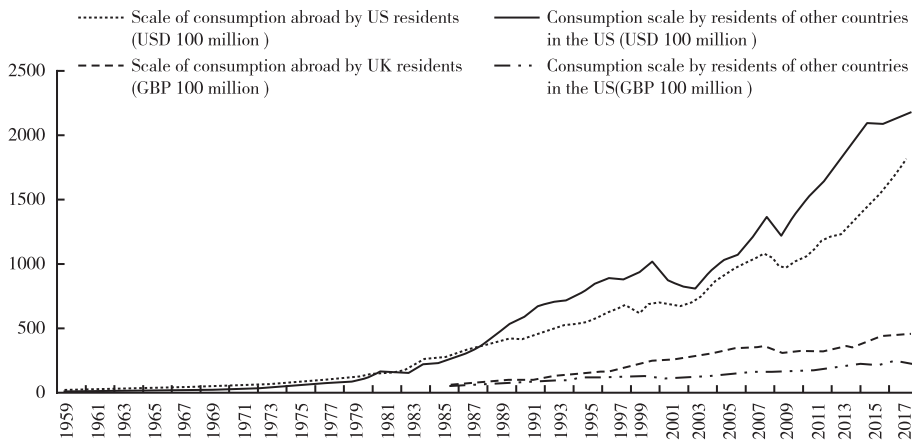


Figure 1. Changes in the Scale of Consumption Abroad by UK and US Residents and the Scale of Consumption by Residents of Other Countries within the UK and the US

Source: The data from the UK Office for National Statistics and the US Bureau of Economic Analysis.

The internationalization of consumption is a spiraling upward in market development. The internationalization of consumption has evolved dynamically from a low to high level, while the highly internationalized consumer market has shown the characteristics of deep integration of domestic and international markets. The advancing internationalization of consumption originates both from the external influence of the international consumer market supply on the domestic consumer market supply and demand and from the internal impetus to upgrade the demand structure of the domestic consumer market. When the upgrading of domestic consumer demand precedes that of supply structure and leads to a supply-demand mismatch in the domestic market, the domestic consumer demand will be met by the supply of consumption abroad, resulting in the fast growth of overseas consumption and the slowdown of domestic consumption. However, instead of being the norm, this is a dynamic adjustment, a stage of development that the elevated internationalization of consumption goes through. To upgrade the demand structure of domestic consumer market, the supply-side structural reform in the market will be further promoted, and the integration and aggregation ability of domestic and international consumer resources will be greatly enhanced. As a result, domestic supply will be upgraded to match the demand structure. Afterwards, the growth rate of domestic consumption will increase while the growth rate of consumption abroad decreases. Furthermore, the internationalization of domestic consumer market will be greatly improved, and the domestic consumer market will attract domestic consumers while enhancing its attractiveness to international consumers. This will further promote the gathering of international and domestic consumers so as to realize the deep integration of domestic and international markets and the high-level consumption internationalization.

2. Characteristics of China's Current Consumption Internationalization

The advancing of consumption internationalization is one of the manifestations of the rising consumption level. On the whole, China's consumption internationalization has seemed to present a tendency from low to high level since the beginning of the 21st century. Initially, foreign goods, a useful supplement to domestic goods supply, greatly enriched residents' consumption choices and thus became an important driving force in enhancing the quality of residents' consumption. Afterwards, with the improvements in residents' income and outbound facilitation, residents' consumption abroad continued to grow and contrasted sharply with the downturn in the domestic consumer market. In recent years, China's increasing opening up has pushed the domestic market to become more internationalized. Chinese residents can not only buy goods from all over the world, but also increasingly go abroad to purchase overseas goods. Consumption subjects from overseas are also consuming more in China. As a result, the internationalization of China's consumer market is gradually

emerging, the domestic and international integration of consumer market subjects, objects and carriers is gaining prominence, and the consumption internationalization is on the rise.

2.1. Consumption Object: The Rising Domestic Consumption of Import

The rise of import consumption is one of the features of internationalizing consumption objects in the consumption internationalization. The increase in import of consumer goods promotes the improvement in domestic commodity quality while increasing residents' consumption options, which in turn boosts the consumption level. China's import and luxury consumption have grown rapidly in recent years thanks to the combined effect of multiple factors such as strong demand for quality consumption, the reduction of import tariffs, China International Import Expo, the Free Trade Agreement dividend, and the continued adjustment of price differences between domestic and foreign markets by major luxury brands. According to customs statistics, China imported RMB 1.22 trillion of consumer goods in 2018, up 10.8% year-on-year, accounting for 8.6% of the total value of China's imports during the same period. Healthcare products, marine products and cosmetics grew by 5.2%, 39.9% and 65.8%, respectively. Import consumption of high-end products such as luxury goods has gained popularity. According to Bain & Company, the overall sales of China's luxury goods market in 2018 continued the high growth trend of 2017, with a growth rate of 20% for the second consecutive year.

2.2. Consumption Location: Leading the Scale of Consumption Abroad

Consumption abroad is one of the manifestations in internationalizing the consumption location in the consumption internationalization. It was also an important part of China's consumption internationalization in recent years. Chinese outbound trips have continued to increase. According to the Chinese Ministry of Culture and Tourism, Chinese citizens made about 150 million outbound trips in 2018, up 14.7% year-on-year. The growing per capita income, the rising number of outbound travelers, and the concept of origin-dominated consumption have pushed up the purchasing power of Chinese residents' overseas consumption, with outbound travel expenditure growing from USD 21.8 billion in 2005 to USD 277.3 billion in 2018. China ranked first in the world in terms of residents' overseas travel expenditure in 2018, making up 52.1% and 19.8% of the total outbound travel expenditure in Asia Pacific and the world, respectively. It is worth noting that after the year-on-year growth rate of Chinese residents' overseas travel expenditure was as high as 76.7% in 2014, the growth rate was below 10% from 2015 to 2018, showing a precipitous decline (see Figure 2).

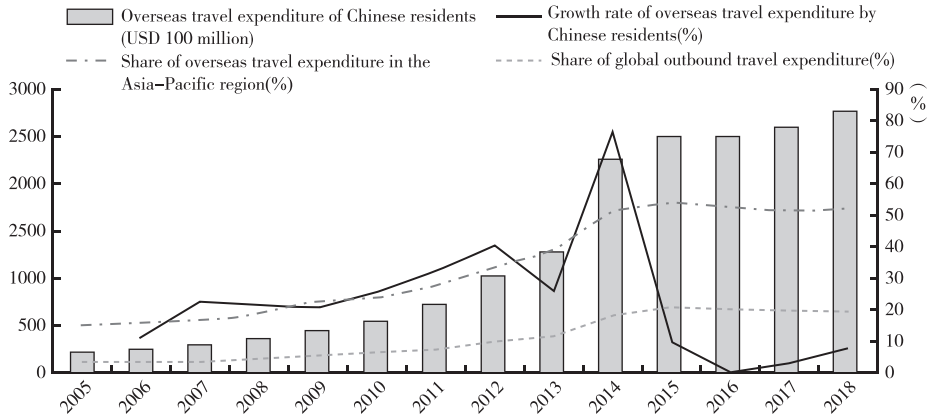


Figure 2. Changes in Scale and Share of Chinese Residents' Overseas Travel Expenditure from 2005 to 2018
Source: The data from the UN World Tourism Organization.

2.3. Consumption Carriers: The Fast Development of Cross-Border E-Commerce

The emerging cross-border e-commerce is an important embodiment in internationalizing consumption carriers. The cross-border e-commerce policy dividend has been continuously released since 2014, with China's cross-border e-commerce industry developing rapidly. From 2016 to 2019, China's total cross-border e-commerce retail imports and exports grew from RMB 49.96 billion to RMB 186.21 billion, with an average annual growth of 55.1%. The scale of foreign consumers consuming China's goods through cross-border e-commerce platforms grew steadily from RMB 23.81 billion in 2016 to RMB 56.12 billion in 2018, with an average annual growth of 53.5%. Cross-border e-commerce is also an important vehicle for Chinese residents to consume imported goods, with the scale of China's cross-border e-commerce retail imports reaching RMB 78.58 billion in 2018 and an average annual growth of 73.4% over the past three years (see Table 1). With the gradual maturity of the cross-border e-commerce bonded model and import platforms, the improvement in cross-border e-commerce retail import consumption experience, the optimization of logistics timeliness and the smooth flow of cross-border e-commerce retail import channels have driven the growth of cross-border e-commerce retail import consumption in China. According to the *2019 China Import Market Report*, the proportion of cross-border e-commerce import consumption in online shopping consumption in 2014 was only 1.6%, which exceeded 10% in 2018. The cross-border e-commerce retail import platform has become an important vehicle for releasing the potential of import consumption. According to iiMedia Consulting, 19.1% of China's residents consumed imported goods through cross-border e-commerce platforms as frequently as once a week in

2018, and 48% of cross-border e-commerce retail import consumers spent more than RMB 1000 per month on average.

Table 1. Changes in China's Cross-Border E-Commerce Retail Imports and Exports between 2016 and 2019

Year	Cross-border e-commerce retail imports and exports		Cross-border e-commerce retail imports		Cross-border e-commerce retail exports	
	Total amount of goods (RMB 100 million)	Growth rate (%)	Total amount of goods (RMB 100 million)	Growth rate (%)	Total amount of goods (RMB 100 million)	Growth rate (%)
2016	499.6	38.7	261.5	—	238.1	—
2017	902.4	80.6	565.9	116.4	336.5	41.3
2018	1347.0	49.3	785.8	39.8	561.2	66.8
2019	1862.1	38.3	—	—	—	—

Note: Some figures are calculated based on published data.

Source: The data from the General Administration of Customs of China.

2.4. Consumption Subjects: Inbound Consumption Increases Year by Year

Inbound tourist consumption is one of the manifestations in internationalizing consumption subjects in the consumption internationalization. After the global financial crisis, China's inbound tourism has steadily rebounded and the scale of inbound consumption has increased year by year. Between 2009 and 2018, China's inbound tourists grew fluctuatingly from 126 million to 141 million, with an average annual growth of 1.23%. The number of inbound overnight tourists is on an upward trend, growing from 50.875 million in 2009 to 62.896 million in 2018, with an average annual growth of 2.38%. Based on the tourism consumption structure consisting of six dimensions such as food, accommodation, transportation, tourism, shopping and entertainment, the increase in inbound consumption of related industries such as accommodation, catering and shopping can be significantly driven by the increasing inbound tourists. The foreign exchange earnings from China's international tourism increased from USD 39.675 billion in 2009 to USD 127.103 billion in 2018, with an average annual growth of 13.81% (see Table 2).

Table 2. Changes in Inbound Tourists and Inbound Consumption in China from 2009 to 2018

Year	Inbound visitors		Inbound overnight visitors		Foreign exchange earnings from international tourism	
	Trips (100 million)	Growth rate (%)	Trips (10000)	Growth rate (%)	Scale (USD 100 million)	Growth rate (%)
2009	1.26	—	5087.52	—	396.75	—
2010	1.34	5.8%	5566.45	9.4%	458.14	15.5%
2011	1.35	1.2%	5758.07	3.4%	484.64	5.8%

Year	Inbound visitors		Inbound overnight visitors		Foreign exchange earnings from international tourism	
	Trips (100 million)	Growth rate (%)	Trips (10000)	Growth rate (%)	Scale (USD 100 million)	Growth rate (%)
2012	1.32	-2.2%	5772.49	0.3%	500.28	3.2%
2013	1.29	-2.5%	5568.59	-3.5%	516.64	3.3%
2014	1.28	-0.4%	5562.2	-0.1%	569.13	10.2%
2015	1.34	4.1%	5688.57	2.3%	1136.50	99.7%
2016	1.38	3.5%	5926.73	4.2%	1200.00	5.6%
2017	1.39	0.8%	6073.84	2.5%	1234.17	2.8%
2018	1.41	1.2%	6289.57	3.6%	1271.03	3.0%

Source: Data from the National Bureau of Statistics of China.

3. Problems Facing the Internationalization of China's Consumption

Currently, the integration of subjects, objects and carriers of consumption at home and abroad needs to be improved as the internationalization of China's consumption remains at a modest level. From a long-term perspective, a range of issues such as supply-demand imbalance remain to be resolved in internationalizing China's consumption at a higher level.

3.1. *Effective Supply of Medium and High-End Goods Needs to Be Enriched*

With the rising income and the expanding middle-income group, Chinese residents' consumption demand is getting more personalized, diversified and high-end and consumers are demanding for more varieties of higher-quality goods and a better consumption environment. However, the domestic market does not have enough effective supply of goods to meet the demand of medium and high-end consumption, failing to satisfy the needs of middle and high-income classes. For one thing, local medium and high-end brands are underdeveloped. *The 2016 Global Powers of Luxury Goods* by Deloitte, an international consulting firm, indicated that among the top 100 luxury companies, there were 8 Chinese luxury companies (including 6 in Hong Kong, China), 6 of which were all in the gold jewelry category. For another, the price difference between international high-end brands at home and abroad directly leads consumers to go abroad to buy goods. Regarding taxes and dues, China's tax system varies from those of developed countries. The US and Japan levy consumption tax, the UK and France charge VAT, and China collects customs duty, consumption tax and VAT on imported goods. The order of taxes and dues in turn leads to a larger base for counting taxes, dues and profits, thus making post-tax prices higher. With respect

to profit and pricing, the low price elasticity of demand for medium- and high-end goods in China has led to skimming pricing strategy and looser cost control adopted by medium- and high-end international brands for the domestic market, while the overall characteristics of the large Chinese market and the strong purchasing power of consumers support the operation model for high price differences. In terms of promotion costs, high-end consumer goods manufacturers are making greater efforts to promote their products in China with higher costs than in developed countries to meet the needs of Chinese consumer mentality and behavior as well as of market competition. In terms of distribution costs, the distribution costs in the Chinese mainland market are much higher than those in other countries (regions) for the following reasons: high logistics costs due to the distance from the place of origin; high insurance costs due to the high value of goods and transferable costs; scarce distribution channels; quality commercial real estate where supply is less than demand; and the long-established department store business model of “department store charging the rent in proportion to the sales of the joint venture”.

3.2. International Consumption Experience of Consumers Needs to Be Optimized

For one thing, consumers have inadequate confidence in the quality assurance of international brands sold domestically. In addition to factory stores in the domestic market, there are also physical retailers, e-commerce companies, cross-border e-commerce platforms, overseas purchasing through intermediary and other channels selling international medium- and high-end brand goods. However, it is difficult for consumers to distinguish whether the goods via various channels are genuine. According to China Consumers Association, consumer associations across the country received 762247 complaints from consumers in 2018, of which 25.69% were about quality. Another aspect is that the shopping experience of consumption abroad has yet to be optimized. Pain points affect the experience of consumption abroad, including difficulty in safeguarding after-sale rights, inconvenience to carry goods, and limited duty-free quota for inbound goods. In addition, the import consumption through cross-border e-commerce is also yet to be improved. The shopping convenience of domestic cross-border e-commerce retail platforms is higher, despite the slow timeliness for after-sales complaints, cumbersome procedures, and difficulties for consumers to safeguard their rights. The increasing foreign cross-border e-commerce platforms are favored by consumers for their genuine guarantee, but there are problems such as the long time of presence, difficulty in returning goods, and cumbersome transfer process.

3.3. Competitive Edge of Domestic Duty-Free Enterprises Needs to Be Sharpened

Duty-free stores are one of the main channels for residents to internationalize

their consumption. Whether purchasing goods at duty-free stores outside of China or international brand goods at the stores within China, duty-free stores are an important element in the internationalization of Chinese residents' consumption. However, the development of duty-free industry in China is at a low level under the influence of factors such as monopoly in the duty-free industry. There is a significant lag in the number of stores, types of products, business models, operation modes and competition mechanisms, and the international competitiveness still needs to be improved. According to Moodie Davitt, among the top 10 duty-free enterprises across the world in 2017, Dufry, a Swiss duty-free retailer ranked first, and Korea's Lotte Duty Free and Shilla Duty Free ranked second and fifth, respectively; DFS Group in Hong Kong, China ranked fourth and the Chinese mainland's CDFG ranked eighth. In terms of horizontal comparison of international layouts, Dufry has laid out more than 2200 duty-free stores worldwide; Lotte has opened 21 duty-free stores and one online duty-free store in Korea, Japan and Vietnam; France's Lagardère Duty Free Group, which ranked third, has opened 4431 stores worldwide; and DFS Group has opened over 150 duty-free stores worldwide. In contrast, CDFG in Chinese mainland has only opened 6 duty-free stores outside China. The layout of its overseas retail network needs to be strengthened and its global competitiveness needs to be improved.

3.4. Convenience of Foreign Tourists' Consumption Needs to Be Enhanced

First, China's duty-free stores are dominated by international luxury brands compared with those in developed countries. Imported alcohol, tobacco and fragrance products account for a very high proportion, while the display of local specialty boutique brands is quite limited, which is not attractive enough for foreign tourists' shopping and consumption. Meanwhile, China's duty-free industry mainly focuses on duty-free stores at ports of entry and exit. In-city departure duty-free stores is still at a stage of void. Problems such as restricted space and short stay of duty-free stores at ports largely limit the shopping demand of foreign tourists. Second, China's departure tax refund policy is still in its infancy. There are problems such as insufficient tax refund stores, inadequate commodity categories and low-level consumption services, resulting in poor shopping and consumption experience of foreign tourists. For example, China's departure tax refunds mainly cover ordinary daily necessities such as clothing, shoes, hats and cosmetics. They have not yet covered domestic specialty products that foreign tourists have a strong desire to buy, affecting their enthusiasm for shopping and spending in China.

4. Policy Suggestions for Conforming to Consumption Internationalization

Currently, China is in a critical period of expediting consumption

internationalization and conforming to the development trend of consumption internationalization. It has been facilitating the international and domestic integration of subjects, objects and carriers of consumption. Such efforts are conducive to alleviating the imbalance between supply and demand in consumption internationalization and driving China's consumption upgrading towards a higher level.

4.1. To Upgrade the Supply Structure of Local Commodities

The upgrading in product supply structure helps draw consumption from overseas back to home. The supply-side structural reform is expected to increase variety and enhance quality and focus on solving the supply-demand imbalance. First, China should advance the innovation-driven development and increase the variety of consumer goods. China should always embrace a diversified development strategy to provide targeted products and services of various grades, characteristics and modalities that match with the preferences of groups by age, income and educational background and that are focused closely on main areas of their daily lives. Second, China should upgrade the quality of consumer goods, formulate product quality rules and standards, speed up the development of third-party quality inspection, testing and certification services, and strictly control the quality of products and services at a regulatory level. China should also facilitate the automation, digitalization and intelligent upgrading of enterprise equipment, promote the spirit of craftsmanship for excellence, and improve the quality of products and services.

4.2. To Enrich the Domestic Supply of Medium- and High-End Goods

First, China should push forward brand cultivation and create its own medium- and high-end brands. The country needs to guide enterprises to enhance their brand awareness and encourage them to develop highly competitive products. It needs to reshape its traditional characteristic brands, strengthen existing well-known brands and foster independent innovative brands. China should enhance the soft power of its products, the influence of its brands and their recognition and reputation in consumers' minds, so as to boost the self-confidence of its brands. It needs to implement international brand strategy, encourage enterprises to carry out overseas trademark registration and international standard certification, and merge and acquire foreign famous brands. It needs to expand the international popularity and attention of products, develop foreign markets, increase the share of international market, and strive to become a global industry benchmark. Second, China should promote the rational prices for domestic medium- and high-end products. The country needs to advance tax system reform and further reduce import tariff rates. In addition, it needs to develop new retail business models and encourage the development of outlets and

other business forms to enrich the distribution channels of high-end consumer goods and cut distribution costs. It needs to develop new business models such as in-city foreign exchange duty-free stores to facilitate inbound people to buy overseas goods in China, while increasing competition in international brand channels and forcing overseas brands in other channels to lower their duty-paid prices appropriately.

4.3. To Optimize China's Consumption Environment for Imported Goods

First, China should further regulate the business practices of domestic cross-border e-commerce enterprises in accordance with the E-Commerce Law and other laws and regulations, increase the penalties for selling counterfeit goods, and smooth the channels for complaints and consumer protection of counterfeit imported goods. It needs to guide cross-border e-commerce platforms to operate compliantly and legally, and provide convenient and high-quality online consumption channels for imported goods. Second, the country should encourage brand owners or cross-border e-commerce platforms to promote the establishment of a sound traceability system for imported goods, especially for important products such as baby and maternal products. It needs to open up all links of the supply chain, integrate information on the production and transportation of goods, and alleviate the dilemma of dishonesty with a full process, open and transparent traceability system. Third, China should leverage favorable policy opportunities such as International Import Expo to encourage the planned and by-batch opening of imported goods bonded outlets and in-city duty-free stores, increase the proportion of imported goods sold in supermarkets, convenience stores and other chain retail terminals, and optimize the offline channels for imported goods.

4.4. To Motivate Domestic Retail Enterprises to Operate Across Borders

First, China should encourage CDFG to comply with the Belt and Road Initiative and advance its overseas layout to set up overseas stores in countries along the Belt and Road to meet consumers' needs with a rich product mix and quality services and reduce Chinese residents' consumption in overseas duty-free stores. Second, China should encourage online and offline retail enterprises such as Rainbow, Ali and Suning to implement cross-border retail layout through diversified ways such as building their own stores and mergers and acquisitions, so as to develop towards a globally competitive retail giant. Third, China should encourage leading tourism enterprises to make efforts in the market, develop overseas tourism services in close cooperation with overseas enterprises, provide standardized, high-quality and reliable services and products in this regard, and build a secured, convenient tourism platform for domestic residents' overseas travel while further enhancing their international competitiveness.

4.5. To Build a Sound Duty-Free and Tax-Refund Service System

China should establish a duty-free and tax-refund service system that integrates duty-free stores at ports of entry and exit, in-city departure duty-free stores and departure tax-refund stores, which is conducive to facilitating domestic shopping and consumption of international tourists as well as driving the overseas consumption back to domestic consumption. For one, it needs to make reference to the practices of developed countries and cities in the global duty-free industry, formulate duty-free business policies which are in line with the existing national conditions, and broaden the development space of China's duty-free store services. It needs to break the fragmentation of the duty-free business and encourage domestic duty-free enterprises to take the path of diversified operation by granting pilot policies in such aspects as operating concessions for duty-free stores in the city and expanding the variety of products. Domestic duty-free enterprises are to be encouraged to explore the development of the business of selling duty-free goods for domestic consumers, set up foreign exchange duty-free stores in the city, and provide convenient and high-quality retail services of duty-free goods for outbound domestic residents, so as to enrich the convenient channels for the domestic residents to purchase international goods and reduce their consumption expenditure abroad. Another aspect is to gradually expand the implementation scope of the departure tax refund policy, set up more tax refund stores in qualified provincial and municipal areas, gradually improve the categories of tax refund goods and enhance the quality of consumption services. Regarding the tax refund mode, reasonable planning is made to set up tax refund locations and choose professional agencies to operate the tax refund, so as to enhance the convenience for tourists.

4.6. To Expand Inbound Tourism

China should follow the policy direction of building international consumption center cities to further promote the international influence and popularity of China's cities, push for increasing inbound tourists and enlarge the scale of inbound tourism consumption. The first is about strengthening the coordination of resources across the tourism industry. China needs to focus on the image of a "beautiful China", give full play to the advantages of local resources, develop the "beautiful China" as a core task to map out boutique tourism routes, and promote competitive brands and products among overseas target markets. The second is about fully implementing overseas social media strategy. China needs to showcase Chinese folklore and specialties to overseas travel enthusiasts through a variety of thematic publicity activities on social media platforms such as Instagram and YouTube in a bid to expand the influence of Chinese culture in the world and attract more overseas tourists to visit and consume in

China. The third is to enhance the international openness. China should fully support the Belt and Road Initiative, selectively deepen international cooperation and market development for key regions, and promote a package of tourism facilitation measures by phases and steps to attract tourists from countries along the Belt and Road to consume in China.

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