

# Reflections on the Current Situation of Cosmetics Export Trade in Guangdong Province under the New Situation

Yingxia Zhao, Yandong Zhang\*

Guangzhou College of Commerce, Guangzhou, Guangdong, China

\* Corresponding Author.

**Abstract:** At present, we are facing an increasingly complex new economic situation, such as the global economic downturn, the rapid development momentum of cross-border e-commerce and digital economy, and intensified competition in various industries. The Chinese cosmetics industry is also facing problems such as poor sales in the international market, and the cosmetics trade has been in a long-term deficit state, with serious deficiencies in international competitiveness. However, with the support of relevant national policies, the upgrading of residents' consumption structure, the gradual opening and diversification of the domestic market environment, and the improvement of the quality and technical level of domestic products, the scale of China's cosmetics industry exports has shown a high-speed growth trend. As a major province in China's economy and foreign trade, Guangdong province has a rich variety of cosmetics exported, with considerable sales volume and strong representativeness. This article conducts a typical analysis of the export trade of cosmetics in Guangdong Province, addressing the issues in product composition, safety, research and development capabilities, and proposing some countermeasures and suggestions to enhance the international competitiveness of the cosmetics industry in Guangdong Province under the new situation.

**Keywords:** New Situation; the Cosmetics Industry; Export Trade; International Competitiveness; SWOT Analysis

## 1. Introduction

With the rapid development of global integration, China's foreign trade services have reached a new level of innovation. Li Kuiwen, the News Office of the Working Group of the

General Administration of Customs, stated that in 2021, China achieved a new level of growth in the scale of import and export foreign trade transactions, breaking through \$6 trillion for the first time. Among them, the export volume of beauty cosmetics and skincare products is 136600 tons, with an export amount of 2785.36 million US dollars, which has achieved a steady growth trend in the past decade. As a major province in China's economy and foreign trade, Guangdong Province is facing opportunities and challenges in the new international situation. The cosmetics industry in Guangdong Province should continuously enhance its international competitiveness, complete the transformation from "product" to "brand", and promote the high-quality development of the cosmetics industry under the new situation.

## 2. Current Situation of China's Cosmetics Export

### 2.1 The Scale of China's Cosmetics Trade

At present, China has become the world's second largest consumer market for cosmetics and has unlimited potential for growth in the future. In 2020, the COVID-19 broke out and the global economy suffered a blow, but the cosmetics industry happened to step on the wind of cross-border e-commerce development. The development of online sales platforms and the explosion of live broadcast platforms directly promoted the rapid growth of the cosmetics industry's sales. Under the new situation, the cosmetics industry has become one of the industries with the fastest recovery speed, and there is a large space for future growth.

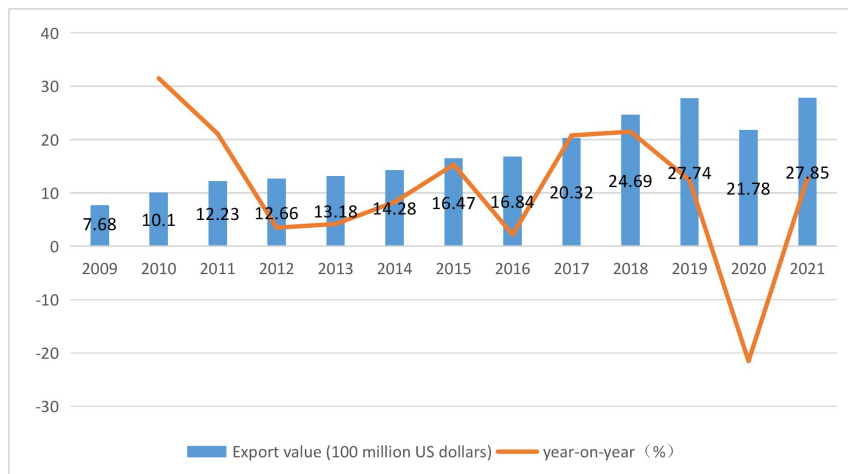
In 2021, China achieved two levels of foreign trade imports and exports, breaking through 5 trillion and 6 trillion US dollars, with a new high scale and steadily increasing quality. The

'14th Five Year Plan' foreign trade showed a good start. Li Kuiwen believes that China's economic development and epidemic prevention and control work are at the world level, and has always adhered to its stance during the world economic recovery and continued to show the effectiveness of policy measures for stable growth, which has become the main factor supporting foreign trade growth

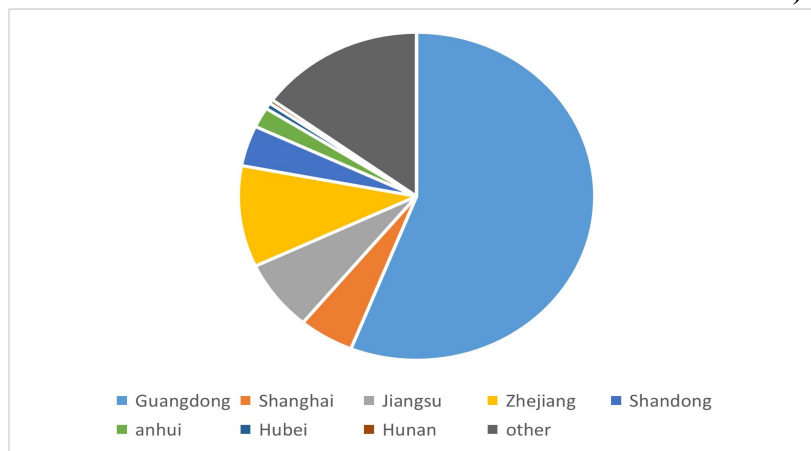
In recent years, China's cosmetics exports have been increasing year by year. As shown in Figure 1, According to customs statistics, the export volume of beauty, cosmetics, and skincare products in China in 2021 was 968356 tons, a decrease of 30663 tons compared to the same period in 2020, a year-on-year decrease of 4.3%. The export amount was 2785.36 million US dollars, an increase of 608.336 million US dollars

compared to 2020, a year-on-year increase of 12.8%.

According to a statistical report from the General Administration of Customs, from 2009 to 2019, China's export of cosmetics and skincare products increased year-on-year, but the growth rate showed a slowing trend. In 2020, China's cosmetics and skincare exports experienced negative growth for the first time due to the impact of the epidemic, a year-on-year decrease of 21.49%, and the export value decreased to 2.78 billion US dollars [1]. In 2021, significant achievements have been made in the nationwide anti epidemic campaign, the situation has been brought under control, the national economy has recovered, and China's beauty, cosmetics, and skincare industries are gradually resuming export trade.



**Figure 1. Export Situation of China's Beauty, Cosmetics and Skincare Industry from 2009 to 2021 (Unit: 100 million US dollars; Data Source: Compiled by the Prospective Industry Research Institute of the General Administration of Customs)**



**Figure 2. Distribution of Cosmetics Production Enterprises Obtained in China in 2021 (Unit:%; Data source: Compiled by the Prospective Industry Research Institute of the National Drug Administration)**

Guangdong Province is a strong province in the cosmetics industry, accounting for half of the country's cosmetics industry. As shown in Figure 2, According to statistics from the Guangdong Provincial Drug Administration, the annual production of cosmetics in our province has exceeded 210 billion yuan, maintaining an upward trend. At present, China's economic development speed and epidemic prevention and control capabilities have always maintained a leading position globally. The trend of global economic recovery and the effectiveness of stable growth policy measures have been good. Against this background, in December 2020, Guangdong Province formulated a series of plans to promote high-quality development of the cosmetics industry, accelerate industrial innovation, and enhance Guangdong's international competitiveness in cosmetics. According to statistics, as of January 13, 2022, there are 5714 registered and registered cosmetics production license enterprises in China, of which 3224 have obtained production license enterprises in Guangdong Province, occupying an absolute advantage within the national cosmetics production enterprise range, accounting for 56.42%. It can be seen that the export trade situation of cosmetics in our province is improving.

## 2.2 Structure of Cosmetics Export Products

The main categories of cosmetics are divided into 11 categories according to the market scale: skin care products, hair care products, oral care products, bath products, color makeup, men's care products, special products for infants and children, perfume, sunscreen products, deodorants, hair removal products, sunscreen, etc. Among them, skincare products, hair care, and makeup are the main categories, with skincare products accounting for 51% of sales in 2019 and accounting for half of cosmetics sales all year round; In recent years, skin care products, bath products, baby products and perfume have the fastest growth rate. In 2020, skin care products, bath products, baby products and perfume have a year-on-year growth of 6.58%, 7.24%, 13.31% and 7.28% respectively. Their growth rate is higher than the overall level of the cosmetics industry. They have become and will continue to become the driving force that makes China's cosmetics trade advantage more obvious

internationally.

## 2.3 Main Export Destinations

With the development of the cosmetics industry, domestic cosmetics brands are gradually developing and actively exploring overseas markets. In 2021, China's main export destinations for cosmetics include countries and regions such as the United States, Hong Kong, the United Kingdom, France, and Japan, with export amounts of 720 million US dollars, 460 million US dollars, 230 million US dollars, 90 million US dollars, and 80 million US dollars, respectively. Among them, the US exports account for 28.3% of China's total cosmetics exports [2].

## 3. SWOT Analysis of Cosmetics Exports in Guangdong Province

### 3.1 Advantages of Guangdong Province's Cosmetics Export

#### 3.1.1 Regional advantages

Guangdong Province is located on the southeast coast of China, on the coast of the South China Sea. Bordering Hong Kong, Macau, and Fujian; Facing Hainan. Convenient sea, land, and air transportation, adjacent to advantageous coastal ports, provide Guangdong Province with the largest trade market and lead the development of Guangdong Province's foreign trade. At the same time, Guangdong Province has a deep foundation in the daily chemical industry and is also one of the strategic landmarks of the Guangdong Hong Kong Macao Greater Bay Area. Guangdong Province is one of the urban areas with the greatest degree of openness to the outside world and the strongest urban economic vitality in China. A approximately 180 kilometer "Guangzhou Shenzhen Science and Technology Innovation Corridor" has been planned in the Guangdong Hong Kong Macao Greater Bay Area, with the aim of creating an economic center of "China Silicon Valley". Guangdong cosmetic enterprises should take advantage of their regional advantages and developed modern transportation system to seize the dividends of our province's economic development, vigorously strengthen their own industrial advantages, increase overseas trade exports, and promote the process of exporting cosmetics industry trade.

#### 3.1.2 Policy advantages

Our province focuses on its superior development conditions, geographical location, and industrial advantages in foreign trade, implements the development policy of "going out, inviting in", and promotes the process of foreign trade. Under the international background of the "the Belt and Road" initiative, our province actively carries out trade exchanges with surrounding regions, thus providing broad development space for our export trade market. In recent years, our province has actively proposed to implement trade innovation and practice, implement the development concept of promoting exports through new trade, undertake and transfer industries, cluster industries, and export industry belts, in order to maximize commercial benefits. During this special outbreak of the epidemic, in order to reduce the burden on domestic enterprises, the country has specially introduced corporate tax reduction policies to provide institutional guarantees for the sustained and rapid development of the industry in Guangdong Province. This is precisely a key factor in achieving the high-speed and stable development of the Chinese cosmetics industry in Guangdong Province. In addition, the Guangdong Provincial Government has organized special funds to ensure the financing of the cosmetics industry, promote product structure optimization, and accelerate the development of the Guangdong cosmetics industry.

In recent years, China has continuously introduced policies to regulate the development of the industry. In 2020, China issued the "Regulations on the Supervision and Administration of Cosmetics" (hereinafter referred to as the "Regulations"), which is the first reform of the rules and regulations of the cosmetics industry since 1989. It proposes the classification management of cosmetics, the registration management of special cosmetics and high-risk new raw materials, and the registration management of general cosmetics and other new raw materials. In addition to this regulation, it is also the first time to propose registrants and filers, and to clearly define their responsible persons, strengthen the main responsibility, standardize the regulatory system, and increase punishment, which is conducive to promoting the standardized development of the cosmetics industry.

### 3.1.3 Industrial foundation advantages

The industrial network of Guangdong Province covers a wide range, and its enterprise development pattern is comprehensively adjusted based on its local labor resources, economic foundation, and current industries, forming a relatively complete industrial structure system. Through industrial cooperation to achieve common development, and utilizing the characteristics of small capital agglomeration, small commodity market, and small enterprise cooperation, it promotes the development of enterprises with vitality and strong competitiveness, and further promotes the development of industrial clusters in Guangdong Province. With the advantage of a strong industrial base, Guangdong Province has maintained a relatively stable growth in the cosmetics market, ensuring further prosperity in the export trade of cosmetics in Guangdong Province. With the growth of industry demand, the industry is showing a trend of sustainable and healthy development in this context.

In 2020, Guangdong Province issued the "Implementation Plan for Promoting High Quality Development of the Cosmetics Industry in Guangdong Province", which pointed out the construction of a batch of cosmetics industry ecological chains that integrate modern economy, technology, intelligence, etc., and create a competitive and internationally influential Guangdong cosmetics industry. It is proposed to cultivate 3-5 excellent local enterprises with annual sales revenue exceeding 20 billion yuan and 10 billion yuan respectively, and 10 or more local enterprises with annual sales revenue exceeding 5 billion yuan by 2025, with more than 10 well-known ethnic brands and more than half of the market share of local independent brands in the country. This aims to create a high-quality enterprise cluster in China's modern skincare and cosmetics industry with global influence.

## 3.2 Disadvantages of Guangdong Province's Cosmetics Export

### 3.2.1 Cosmetic safety issues

On the one hand, there is a problem of excessive heavy metal content in cosmetics. Cosmetics in Guangdong Province have experienced a problem of being unable to be

exported due to high lead content, which has made overseas consumers more sensitive to the quality and safety of their products. In the early 1990s, EU countries also unified laws and regulations to limit the production of cosmetics with excessive heavy metal content. In these EU countries, the quality and safety production of cosmetics are subject to strict requirements on their product ingredients. Due to significant differences in the detection range and detection limit values of heavy metals in cosmetics exported from various regions of China compared to international standards, China still cannot fully meet the needs of the Chinese industry according to the existing cosmetics product standards. Due to the lack of an absolute and unified scientific set of cosmetics standards internationally, manufacturers in Guangdong Province are also unable to accurately and quantitatively control the heavy metal content of all cosmetics products exported. Therefore, Guangdong Province still needs us to further develop and improve the technology of heavy metal content analysis and detection instruments. To avoid the recurrence of excessive levels of heavy metals in certain cosmetic formulas [3].

On the other hand, there is a problem of microbial contamination in cosmetics. For various cosmetic pollution issues, the standards for quality, health, and safety certification and review of cosmetics formulated by North American standards, Japanese standards, American and Korean national standards, and other EU countries are basically the same as those for domestic food and drug registration and review. At present, some manufacturers lack standardized operation and management systems for raw materials, operations, processes, equipment, etc. in the production and manufacturing process of cosmetics, leading to the problem of microbial contamination in cosmetics, and to a certain extent, affecting and damaging the commercial reputation and industry image of the cosmetics industry in Guangdong Province, which is not conducive to the development and expansion of our province's cosmetics products in other export countries to expand into larger overseas markets [4].

### 3.2.2 The issue of trade barriers in cosmetics

China's cosmetics exports to Europe and America have always faced high trade barriers. The reason for frequent obstacles in cosmetics

exports is that developed countries such as Europe and America have strict regulations and high technical requirements for imported cosmetics from foreign brands, resulting in significant resistance to China's own cosmetics brand exports. As an important partner region for global cosmetics export trade, the development of China's foreign trade and export processing business naturally involves the protection of technical trade barriers. Technical barriers to trade are a double-edged sword. From the perspective of China's long-term development trend, technical barriers to trade will have a relatively positive and important role in promoting the sustainable development of China's foreign trade in services. However, from the perspective of China's short-term trend, technical barriers to trade will limit the expansion of China's exports of products and services in foreign trade. Compared with other developed countries around the world, our Chinese products are still at a disadvantage in terms of service cosmetics technology, and there is still a technological gap in the cosmetics industry in Guangdong Province. There are other product quality issues with the hygiene quality of cosmetic raw materials, the nutritional benefits of product use, product packaging, and so on. With the entry of domestic products and the increasing trade barriers to international market entry, these quality issues will inevitably directly hinder the large-scale export of our domestic cosmetics, increasing the risk of export quality of our cosmetics [5].

### 3.2.3 Insufficient scientific research investment and lack of high-end product development

At present, the production capacity of China's cosmetics products has been able to produce products with basic moisturizing, moisturizing and makeup effects, but the advanced anti-aging, firming and other efficacy technologies have not reached the international standard. The international competitiveness of China's cosmetics industry is relatively backward, and the most important reason is that the technological content of cosmetics products is not high, which leads to weak market core competitiveness of products. This is manifested in low added value of related products and low profits of enterprise products, making it difficult to compete with

international brands in the mid to high end market.

The main body of cosmetics export enterprises in Guangdong Province is mostly private small and medium-sized enterprises. Compared with some large and well-known international brand enterprises, there is still a significant technological gap in research and development technology capabilities. Therefore, it often imitates the production process of product formulas from various internationally renowned brands to design and produce various cosmetic products. Most of the products designed and produced by these companies are also produced according to the formulas and production processes of internationally renowned brand companies. The reasons may be as follows: on the one hand, some Chinese enterprises do not attach importance to the research and development and manufacturing of core technologies themselves, and are unable to invest sufficient product research and development funds, resulting in lower actual core technology research and development capabilities. Although the government has taken certain measures and introduced relevant financial subsidies and support policies, there is a situation where the implementation is slow and the effectiveness is poor. There is also a significant gap between researchers and funding compared to developed countries in Europe, which hinders China's investment innovation in international and standardized cosmetics industry technology [6]. As a high-tech enterprise, insufficient product research and development efforts and personnel investment can lead to the loss of competitiveness of the product from the source. On the other hand, the enterprise has not found a direction for new product development and has not formed its own product characteristics. For example, some cosmetics companies intentionally plagiarize the production process materials and packaging techniques of world-renowned daily chemical brands, resulting in products that have many similar main ingredients to foreign market products, lack distinctive products that match their own brand, and lack a clear competitive advantage in the international market positioning.

#### **4. Strategies and Suggestions for Developing Guangdong Province's Cosmetics Export**

### **Trade**

#### **4.1 Improving the Safety of Cosmetic Use**

North American countries, the European Union, Japan, and other countries have not yet clearly defined the Good Manufacturing Practice (GMP) for product quality and production and control in the cosmetics industry. One of the ultimate goals of the GMP product quality specification system and product quality management principles is to establish a good manufacturing practice. It is believed that it is to reduce the various major safety and quality control links caused by the use of product raw materials in the production process of cosmetics manufacturing, and to avoid other potential safety and quality hazards that may pose serious risks to human health due to the use of product raw materials. Therefore, on the one hand, export cosmetics enterprises that apply for Guangdong Province standards should strictly require them to pay more attention to strengthening their own internal safety and caution in the procurement of imported domestic cosmetics raw materials, resolutely and effectively eliminate the import and warehousing of product materials that do not meet the standards of the country they apply for import, and effectively improve the safety of domestic export cosmetics materials from the source. In the technical process standards for exporting specific products, it is recommended that all exporting cosmetics enterprises first ensure that they can strictly regulate and optimize the entire production and manufacturing process and product structure in accordance with the requirements of product exports and related production and process standards, in order to effectively reduce various raw material costs and improve product quality. At the same time, it is necessary to improve the added value of products and enhance their international competitiveness based on compliance with GMP. On the other hand, relevant government departments should increase their supervision of the quality of exported cosmetics, establish information archives for exported cosmetics enterprises, and systematically implement regulatory mechanisms for cosmetics enterprises. Enterprises with safety hazards should be ordered to rectify, and cosmetics exporting enterprises that have repeatedly maliciously violated imported products must

be resolutely taken measures and severely punished, By thoroughly cracking down on such illegal and malicious production methods, we aim to ensure the improvement of the quality and safety of domestic high-quality cosmetics exported in bulk to countries, as well as the safety of meeting the normal consumption and usage habits of cosmetics in China [7].

#### **4.2 Improve the Ability to Avoid Export Risks and Actively Respond to Trade Barriers**

The registration and labeling of cosmetics must strictly comply with the regulations of the exporting country, comply with international cosmetics export policies, and comply with the basic requirements of cosmetics risk management to ensure the smooth export of cosmetics [8]. Enterprises can learn from successful cases of avoiding risks in the production process of cosmetics abroad, control and avoid the issue of non-standard cosmetic ingredients from the source of products, strengthen the quality control of cosmetics, establish strict industry standards, and jointly monitor industry associations to ensure that the cosmetics export process in Guangdong Province can meet standards, achieve international integration, and better meet the international market.

When facing international technical barriers to trade in cosmetics, cosmetics production enterprises should first play a leading role, and formulate an effective legal and regulatory system to address the current difficulties faced by China in international cosmetics technology policies, in order to narrow the gap between Chinese enterprises in international product trade technical barriers [9]. At the same time, government departments should take active measures to improve various supporting industrial policies, encourage investment and support large and medium-sized multinational production and sales enterprises, and continuously enhance the international influence of China's cosmetics brands. Secondly, relevant government departments should fully attach importance to establishing a mechanism for China's import and export cosmetics industry associations, establish active and effective communication platforms and evaluation and monitoring mechanisms, and increase training on the legislative

disclosure and interpretation of the draft measures for resolving international trade barriers in cosmetics by relevant countries, and promote public opinion guidance and support through relevant social media, Thus, it is more effective and proactive to guide relevant departments in various regions of the country to formulate and implement positive and effective specific security response technical guarantees. Once again, enterprises should learn and fully grasp the dynamics of international trade rules and policies related to imports and exports in various countries, as well as various technical measures related to foreign trade management in China, in accordance with their own import and export strategies. They should develop a scientific, reasonable, economical, efficient, and practical layout structure system for medium and long-term foreign trade strategies, as well as a guarantee mechanism for the operation of relevant organizational and management measures, Based on the specific strategic environment faced by various domestic enterprises in international trade, independent development can be carried out. If necessary, the competent department of domestic enterprises can entrust specialized industry organizations or organize specialized enterprises to establish a departmental system for responding to technical barriers to trade to ensure the legal protection of imports and exports in response to technical barriers to trade [10].

#### **4.3 Improving the R&D Capabilities of Production Enterprises**

Cosmetics technology involves interdisciplinary horizontal research in dermatology, life sciences, and botany. We need a professional technical team to provide technical support. For this reason, enterprises in Guangdong Province should implement a talent strategy and cultivate high-end R&D talents. In addition to establishing independent R&D centers at their headquarters, well-known cosmetics companies in the province should actively promote the integration of production, learning, and research with major universities and research institutions. By establishing campus enterprise technology centers or research centers, enterprise project research funds should be established to attract relevant professionals to

participate and jointly solve the problems of product research and development, production. Cultivate and tap into outstanding scientific research talents in practical challenges such as design. In addition, it is necessary to strengthen international cooperation with world-renowned universities and research institutions, actively carry out technological and product innovation work, and strengthen research in product reserves. At the same time, cosmetics enterprises in Guangdong Province should strive to create a soft environment for attracting talents, attract and retain talents through various incentive measures, provide good treatment for high-end technical talents, and create a good working environment. They should also establish a sound and comprehensive talent training plan and reasonable promotion channels to attract high-level professional talents from around the world, and rely on local universities to establish research and development teams, encouraging scientific research and innovation, Provide strong support for the construction of a high standard professional and technical talent team. By establishing a technological innovation platform, accelerate the upgrading of enterprise product research and development technology.

In response to the problem of insufficient R&D expenditure in cosmetics enterprises, enterprises can increase their R&D investment with the support of government policies, further improve the technological content and market share of cosmetics, strengthen basic research in the cosmetics industry, and ensure the safety, stability, and effectiveness of products. Continuously improve product quality and independent research and development capabilities in practice, cultivate core competitive technologies, achieve enterprise transformation and upgrading through differentiation, and continuously enhance the market position of cosmetics enterprises in the province. This enables cosmetics export enterprises in Guangdong Province to effectively improve their international competitiveness, establish their own reputation brands, and have the strength to compete with foreign high-end cosmetics enterprises.

## 5. Conclusion

In summary, the cosmetics industry in China is

still in the growth stage, with a weak overall strength foundation and a lack of competitive advantage compared to the mature industrial level of developed countries in Europe and America. Cosmetics export enterprises in Guangdong Province are also facing this situation. This article analyzes the SWOT advantages and disadvantages of Guangdong's cosmetics export trade, analyzes and studies the existing problems, and proposes relevant strategies to address these problems, In the current international situation, our province urgently needs to enhance the competitiveness level of the cosmetics industry in combination with the national economic development strategy in order to cope with fierce international competition.

## References

- [1] Liang, H.J. (2008). Analysis of indicators for achieving international competitiveness of Chinese cosmetics. *Market Modernization*, 31, 172-173.
- [2] Lu, P., Wang, B.D. (2021). China's position as the world's second largest consumer of cosmetics will not change. *Chinese cosmetics*, 2, 50-57.
- [3] Wu, L.M. (2014). Draft guidelines for labeling honey and its products released by the US Food and Drug Administration. *Apiculture of China*, 65(08), 42-43.
- [4] Jiao, Y. (2020). Report on the Safety Status of Imported and Exported Food and Cosmetics in 2019. *Port Health Control*, 25(06), 38-42.
- [5] Zhao, L.Y. (2020). Discussion on the Impact of Technical Trade Barriers on China's Cosmetics Export and Countermeasures. *Practice in Foreign Economic Relations and Trade*, 12, 47-48.
- [6] Jiang, F. (2018). Trade Analysis of China's Cosmetics Market - Taking European and American Cosmetics as an Example. *Market Modernization*, 15, 97-99.
- [7] Hou, H.L., Chen, Z.M., Jin, J.J. (2020). Quality analysis of cross-border e-commerce import and export of food and cosmetics. *Economic Research Guide*, 13, 170-171.
- [8] Xu, Z.Y. (2017). The Impact of Domestic and Foreign Environmental Regulations on China's Import and Export Trade. *Modern Business*, 13, 47-48.



- [9] Li, S. (2019). Reasons and Countermeasures for China's Encountering Trade Barriers in Exporting High tech Products to the United State. Practice in Foreign Economic Relations and Trade, 2, 42-44.
- [10] Li, S.P., Gu, Y., Li, X. (2021). The Impact of Economic Policy Uncertainty on Guangdong's Export Trade. Chinese Foreign Investment, 12, 52-53.