



CROSS BORDER E-COMMERCE IN CHINA

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Abstract:

The Internet has built an economical and efficient communication "bridge" between buyers and sellers all around the world. With the rise of supporting technologies such as secure payment, order tracking, and customer service, the global e-commerce market has grown exponentially.

As the leader of this growth trend, the scale of China's cross-border e-commerce market has shown an exponential growth trend. This is mainly due to two points: 1) the sudden release of cross-border consumer demand; 2) the relatively loose market regulatory environment. The development of online websites, social media and logistics technology has also played a key role in promoting the development of cross-border e-commerce. Subsequently, the Chinese government further encouraged the development of cross-border e-commerce through measures such as building free trade zones and promoting the "The Belt and Road Initiative". Companies such as Amazon and Tmall made full use of relevant policies to gradually gain a space in the free trade zone. The express delivery companies and third-party logistics companies occupying a strategically dominant position in the region have also started gearing up and trying to benefit from the growing trade activities along the "The Belt and Road Initiative".

Keywords:

Cross-border E-commerce, Trade, The Belt and Road Initiative

1. Introduction

The spread of epidemic in 2020 will continue to promote the transformation of online consumption habits, the penetration rate of e-commerce has further increased, and the digitalization of the Internet has accelerated. Global cross-border e-commerce transactions are expected to grow from 400 billion USD in 2016 to 1.25 trillion USD in 2021. Under the tone of the dual-cycle development of the domestic economy, the scale of China's cross-border e-commerce market will continue to maintain a rapid growth trend. According to customs statistics, in 2020, the customs cross-border e-commerce management platform passed the inspection and release of 2.45 billion import and export invoices, an increase of 63.3% year-on-year. The import and export of cross-border e-commerce was 1.69 trillion yuan, an increase of 31.1%.

Driven by China, cross-border trade will inject new impetus into the future of e-commerce. With the gradual blurring of geographical boundaries, truly valuable companies are able to cross national borders and accept the cruel test of global market. The companies that make good moves will be able to take advantage and rewrite the rules.

2. About Electronic Commerce

The essence of commerce is the place where shopping is made, the place where shopping is made in electronic commerce has changed to the internet environment. For this reason, it is easier and faster to connect the buyer and seller than the traditional market, and even overseas transactions can be made very easily (Zhangyong, 2017).

2.1. What Is Electronic Commerce

Electronic commerce refers to the use of electronic tools and technologies to carry out commerce; Includes sales, purchases, product exchange, service and information (Manzoor, 2010).

2.2. General Information about Electronic Commerce

In the eighties there has been a tremendous growth in managing large amounts of data storage and retrieval techniques, following the development of a transparent mechanism for interconnection. Improved data transfer speeds and the emergence of global connectivity have provided the opportunity to manipulate and disseminate information fields over a wide geographic area. The development of the communication infrastructure in the late eighties and early nineties, in different ways such as the Internet, information and related developments and broadcast technologies, pushed us towards a new economic era. This new economy driven by the internet and web technology is called the digital economy (Bhasker, 2013).

Thirty years ago electronic commerce was an unfamiliar concept for everyone, today it is a concept that everyone has heard and known. People who used to shop in shopping malls in the past have started to benefit from the convenience of electronic commerce. It has also provided new experiences for those in the position of vendors. Those who used to sell in stores can now reach consumers on the internet. Those who have never had a business with trade before are now realizing new experiences with the tools produced by this new technology (Da, 2014).

2.3. Types of Electronic Commerce

By studying the types of e-commerce, we can deepen our understanding of e-commerce from different angles. According to the subject of participation in the transaction, it can be divided into the following five types (Deng Shunguo 2005, P. 6).

Business to Business (B2B), It refers to the negotiation, ordering, signing, receipt of invoices and payment and claim processing, product delivery management and transportation tracking between purchasing agents and suppliers on the Internet.

Business to Consumer (B2C), B2C e-commerce uses computer networks to enable consumers to directly participate in advanced forms of emergency activities. This is the most familiar type of e-commerce (Deng Shunguo 2005, P. 7).

Consumer to Consumer (C2C), C2C e-commerce is a transaction between consumers.

Business to Government (B2G), B2G e-commerce covers various affairs between enterprises and government organizations. In B2G e-commerce mainly government is purchasing.

Customer to Government (C2G), C2G e-commerce includes the government's extension of e-commerce to the issuance of welfare fees, self-assessment and personal tax collection.

3. Cross Border Electronic Commerce

Compared with the traditional international trade model, cross-border e-commerce is a new type of international trade format. It is a relatively advanced form of combining e-commerce and international trade. It refers to buyers and suppliers from different country, through the e-commerce platform to complete the transaction, make payment and settlement, and deliver the goods through cross-border logistics, complete the transaction of international business activities. From the perspective of business flow, it can be divided into import cross-border e-commerce and export cross-border e-commerce (School, 2019, P. 25).

3.1. General Information about Cross Border Electronic Commerce

As it involves different borders and the long industrial chain and trade chain from enterprises in one country to consumers in another country, coupled with the characteristics of commodity fragmentation and main body fragmentation in cross-border e-commerce, its business models are various (School, 2019, P. 26).

3.2. Characteristics of Cross-Border E-Commerce

Global forum, the network is an intermediary without boundaries, with the characteristics of globalization and decentralization. Cross-border e-commerce that is dependent on the Internet also has the characteristics of globalization and decentralization (Xu Yuhua, 2020, P. 3).

Intangible, the development of the network makes the transmission of digital products and services flourish. However, digital transmission is concentrated in a globalized network environment through different types of media, such as data, sound, and images. These media appear in the form of computer data codes on the network and are therefore intangible.

Anonymous, due to the decentralized and global nature of cross-border e-commerce, it is difficult to identify the identity of e-commerce users and their geographic location. Consumers of online transactions often do not reveal their true identity and their geographic location. What is important is that this does not affect the transaction at all, and the anonymity of the Internet allows consumers to do so (Xu Yuhua, 2020, P. 4).

Instantaneously, for the network, the speed of transmission has nothing to do with geographic distance. In the traditional transaction model, information exchange methods such as letters, telegrams, faxes, etc., in the process of sending and receiving information, there is a time difference. In the information exchange of e-commerce, regardless of the actual time and space distance, one party sends information and the other party receives information almost simultaneously.

Paperless, e-commerce mainly adopts paperless operation, which is the main feature of e-commerce. In e-commerce, electronic computer communication records replace a series of paper transaction conditions. Users send or receive electronic messages. Because electronic information exists and is transmitted in the form of bits, the entire information sending and receiving process has been paperless (Xu Yuhua, 2020, P. 5).

Rapidly evolving, the Internet is a new thing, and it will continue to evolve at an unprecedented speed and in an unpredictable way.

4. Cross-border E-commerce in China

As a new type of international trade, cross-border e-commerce has become a hot spot in China's society as a whole, and has become a new power for foreign trade and even the overall economic development. The development of China's cross-border e-commerce can be said to be the general trend.

On June 20, 2015, Orchard issued the "Guiding Opinions on Promoting the Healthy and Rapid Development of Cross-border E-commerce", emphasizing the promotion of the healthy and rapid development of cross-border e-commerce, using "Internet + foreign trade" to achieve superior import and export, which is conducive to expansion Consumption, promote open-type emergency development and upgrade, and create new economic growth points. It clarified the main development goals of cross-border e-commerce, especially proposed to cultivate a group of public platforms, foreign trade comprehensive service enterprises and self-built platforms, and encourage domestic enterprises to cooperate with overseas e-commerce enterprises. Cross-border e-commerce is a combination of the two concepts of "steady growth" and "Internet +". It promotes the development of cross-border e-commerce and will directly drive China's modern service industries such as logistics and distribution, e-payment, e-certification, and information content services and related services. The development of the manufacturing industry has accelerated the pace of transformation and upgrading of China's industrial structure.

4.1. The Development History of Cross-Border E-Commerce

Initial Period; 1999-2003, online display, offline transaction; Based on the foreign trade information service model of online display and offline transactions, the main function of the third-party platform is to provide a network display platform for corporate information and products. Representative companies at this stage include Alibaba and others.

Growth Period; 2004-2012, electronic transaction process; The offline transaction, payment, logistics and other processes are electronically realized, and online transactions are gradually realized. The whole process of cross-border e-commerce is realized electronically. The B2B platform model is the mainstream mode of cross-border e-commerce at this stage. At this stage, representative companies include AliExpress and so on.

Development Period; 2013-2017, the whole industry chain is online; The service is fully upgraded, the platform carrying capacity is stronger, and the whole industry chain service is online. Large-scale platforms continue to emerge, the proportion of B2C platforms has increased, and the mobile terminal has developed rapidly. Representative companies at this stage include Tmall International, etc.

Maturity Period; 2018- now; Large-scale cross-border e-commerce companies have begun to integrate their supply chains. At the same time, all links in the cross-border e-commerce supply chain are becoming more integrated, refined operations have become the mainstream, and innovative models such as new retail and live marketing continue to penetrate. Representative companies at this stage include Kaola Haigou and so on (Institute, 2020).

4.2. Development Status of China's Cross-Border E-Commerce

In recent years, with the increase in global purchasing power per capita, the increase in Internet penetration, the further maturity of third-party payment software, and the improvement of logistics and other supporting facilities, online shopping has become a consumer habit all around the world. Cross-border e-commerce has established a free, open, and universal global trade platform, and has achieved global connections through the Internet. In the future, as cross-border e-commerce continues to replace the traditional trade market, it is expected to become the main form of global trade.

1) Huge room for cross-border e-commerce development;

As a new form of foreign trade, cross-border e-commerce is booming. Cross-border e-commerce imports and exports are 1.69 trillion yuan, an increase of 31.1%. With the accelerated formation of a new development pattern with the domestic as the main body and the mutual promotion of the domestic and international, the scale of China's cross-border e-commerce market will continue to maintain a rapid growth trend in 2021 (Institute, 2020).

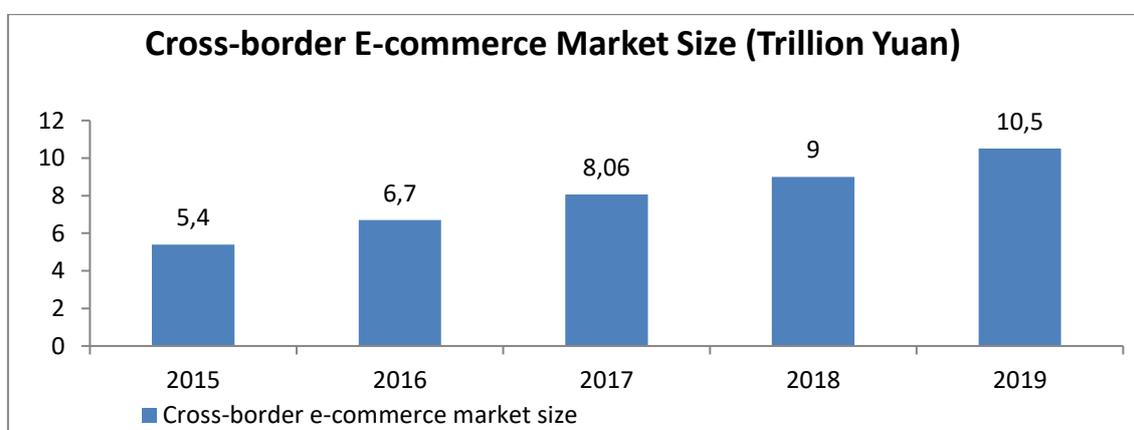


Figure 1. Cross-border E-commerce Market Size

Source: (Institute, 2020)

Export cross-border e-commerce is the main body of China's current cross-border e-commerce, and the proportion of imported e-commerce is constantly increasing. As China's manufacturing industry has greater advantages in cost and scale, China's current cross-border e-commerce is mainly export-oriented.



Figure 2. Proportion of China's cross-border e-commerce import and export transactions

Source: (Xu Yuhua, 2020, P. 13)

2) B2C enters a golden period of rapid development, due to the early emergence of B2B e-commerce in China, the current market is still dominated by B2B. However, with the fragmentation of orders and the gradual establishment of cross-border e-commerce brands in overseas consumer markets, the proportion of B2C market transactions has gradually increased rapidly.

3) Overseas warehouses improve cross-border efficiency. Logistics is the most important part of the cross-border e-commerce process. As global buyers gradually improve the quality of cross-border e-commerce shopping experience, the overseas warehouse model has gradually become the core of corporate growth.

5. Conclusions

As an important part of the digital economy, e-commerce uses its unique advantages to help China's foreign trade go against the trend and achieve steady growth in volume and steady improvement in quality. As the scale of e-commerce continues to expand, China's e-commerce has entered a period of relatively stable development from a period of ultra-high-speed growth in 2016, but China's cross-border e-commerce continues to maintain a growth trend of high-quality development.

China's cross-border e-commerce industry currently exhibits three characteristics: the scale of cross-border e-commerce transactions is expanding, and its proportion in China's import and export trade is increasing: cross-border e-commerce is mainly export, and export cross-border e-commerce is expected to continue Rapid development trend: Cross-border e-commerce is dominated by B2B business, and the B2C cross-border e-commerce model is gradually emerging and has a trend of expansion. At the same time, national policies have greatly increased the support for cross-border e-commerce, reflecting its important role as a development catalyst, which provides the necessary endogenous motivation for the future development of cross-border e-commerce.

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