

The Development Status and Countermeasures of Cross Border E-Commerce in China

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Abstract—Cross-border e-commerce has been subverting the traditional model of import and export, and will become a new growth point for China's foreign trade in the future. The emergence and development of cross-border e-commerce benefits from four aspects, including the needs of economic development, consumer choice, enterprise preferences and incentive from government. At the same time there are problems of logistics, payment, credit system, dispute settlement mechanism, customs clearance procedures and laws and regulations etc. To promote the development of China's cross-border e-commerce, we need to implement from the following aspects: Integrating resources of third party logistics, constructing proper overseas warehousing and using overseas third party warehousing to solve logistics problems; vigorously supporting the third party payment institutions to expand cross-border payments business, and strengthening the supervision of cross-border e-commerce transactions through the third party payment agencies.

Keywords—Cross-border e-commerce; foreign trade; Internet economy; Development countermeasure.

1. DEVELOPMENT OF CROSS-BORDER E-COMMERCE

Compared with the slowed growth of traditional import and export trade in recently, the growth of cross-border e-commerce is sharp and fast. Global cross-border e-commerce transaction amount is \$105 billion in 2015. The most active country is followed by Germany, the United States, the United Kingdom, the mainland of China and Hong Kong. Global cross-border e-commerce volume is expected to reach \$307 billion in five years. According to the development of various countries, Cross border e-commerce in the United States is well developed. 43% sale volume of Amazon which is the largest e-commerce platform in the United States is from abroad in 2015. By 2015, the sale volume of cross-border online shopping in Europe has accounted for 10% of total online retail, which will be doubled in 2016. According to statistical data in Russia, the number of postal packets from overseas has doubled, of which 70% from cross-border online shopping in 2015. In addition, Germany, Spain, Austria and

other countries development of cross-border e-commerce also has a good performance.

As an emerging country of e-commerce, China's cross-border e-commerce is vigorous; its transaction size growing with an average annual growth rate of 31% from 900 billion yuan in 2009 to 5.3 trillion yuan in 2015. This is faster than traditional foreign trade. The proportion of cross-border e-commerce in China's import and export trade has increased from 4.4% in 2008 to 8.2% in 2015, which is expected to reach 18.9% in 2016. In 2015, there are more than 5000 e-commerce platform and 200 thousand Chinese foreign trade enterprises to do cross-border e-commerce. These enterprises have built a new model of commercial circulation-- ESSC (e-commerce-supplier-service provider-consumer). From the point of view of the export flow of cross-border e-commerce, the United States accounted for 17.2% and ranked first, the European Union was 16.3% and ranked second, and the rest flowed to the Asian region surrounding China in 2015. Based on market performance of Cross-border e-commerce, 2015 is regarded as first year of China's cross-border e-commerce era. A large number of local brands and traditional foreign trade enterprises are ready to enter the field of cross-border E-commerce.

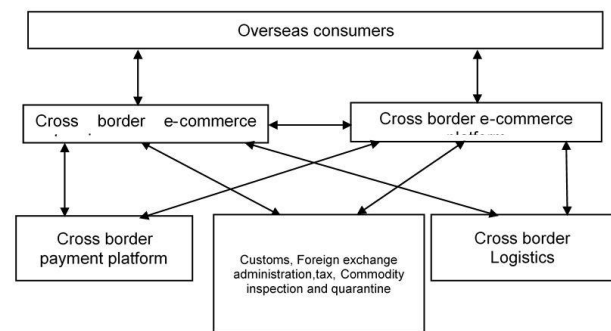


Figure 1. Cross-border e-commerce operation mode

II. OPERATIONS OF CROSS-BORDER E-COMMERCE

Overall, the operational approach of cross-border e-commerce can be expressed in Figure 1.

According to bidirectional of international trade, cross-border e-commerce is divided into two categories: foreign trade export and foreign trade import. The import of cross-border electronic commerce operation mode is mainly to establish overseas online shopping platform to attract overseas sellers to import world famous brand and products that stockout or cheaper than domestic market. There are following operation modes in cross-border electronic commerce of foreign trade exports: (1) Using the help of local foreign trade e-commerce platform. The form of the value chain is the supplier of the export commodity using the cross-border e-commerce platform to the overseas consumers. In this model, the platform needs to build IT architecture, and make itself be a business center, gathering suppliers and consumers in order to form the scale effect. The platform also takes responsible for marketing promotion, the product are uploaded and supplied by suppliers. (2) Taking advantage of foreign well-known e-commerce platform. Export enterprises registered as a member of the world's leading e-commerce platform, directly promote products to overseas consumers. (3) Seeking foreign online shop. (4) Building cross-border e-commerce systems directly to the overseas market.

III. ADVANTAGES OF CROSS-BORDER E-COMMERCE

The rise of cross-border e-commerce will change the layout of the industrial chain of foreign trade, and bring serious challenges to traditional foreign trade. Firstly, cross-border e-commerce has removed intermediaries and faced to the local consumers directly so that the situation that profits were grabbed by intermediaries in traditional foreign trade is greatly changed. It is estimated that the net profit margin of the domestic enterprises of cross-border e-commerce can be increased from 5% to 50%. Secondly, cross-border e-commerce cannot be restricted by the geographical space, and the impact of trade protection is also very little. Foreign trade enterprises can reduce the establishment of overseas branches, which greatly reduces the overseas market expansion cost, making the enterprise scale of overseas market further expanded than in the past, so the small companies have the opportunity to carry out international trade. Thirdly, it can reduce the frequency of negotiations and the cost of transaction. Network marketing replacing the traditional overseas marketing can not only save marketing costs but achieve better marketing goals with the rich means of network marketing and precision positioning. In addition, network marketing can bypass the local government to the traditional advertising and related marketing procedures, simplifying the procedures for marketing activities. Fourthly, we can obtain the overseas market information and customer feedback directly to optimize the overseas customer relationship management, and make personalized customization to improve the sensitivity of the response to the overseas market.

IV. CRISIS AND CHALLENGES OF CROSS-BORDER E-COMMERCE

A. Logistics

The characteristics of cross-border e-commerce transaction are small and multiple batches, short purchase cycle, long freight, and dispersive order, which have a higher demand for logistics. At present, China's cross-border e-commerce logistics forms including International packet of China Post, international express and overseas warehousing, etc. Each form has its advantages and disadvantages. For cross-border e-commerce, logistics service must be considered from the cost, speed, safety, consumers' tracking experience. How to get cheap, fast and safe international logistics is most concerned by the current cross-border e-commerce enterprises.

B. Additional Information Required by the Volume Editor

The payment of traditional foreign trade and dispute settlement mechanism has been sound and mature, but cross-border e-commerce payment is still at the initial stage. There are many problems to be solved, with higher risk of payment, such as payment system stability, network security, electronic currency issuance, legal supervision and dispute settlement.

C. Credit System and Dispute Settlement System

Due to the differences between language and culture, the problem of information asymmetry is very serious in cross border e-commerce, and because of low degree of trust of foreign e-commerce enterprises, information asymmetry has become a huge obstacle to the transaction. Therefore, it is urgent to establish a credit system which is able to carry on the identity authentication, the qualification examination and the credit appraisal system. In addition, cross-border e-commerce transactions involve two or more countries, how to solve the problem which state law to apply in a dispute is also an inevitable problem in cross-border e-commerce.

D. Customs Clearance, Legal and Regulatory Issues

The high efficiency of e-commerce requires cross-border e-commerce to achieve rapid clearance, while a large number of goods through the express and post channels bring a challenge to the customs supervision and taxation. The networked of foreign trade also challenges the current legal system and regulatory measures.

V. STRATEGY OF CROSS-BORDER E-COMMERCE

A. Logistics

The country should do a holistic plan and reshuffle the third party logistics industry. Through mergers and acquisitions to integrate logistics resources so that form a number of scale effect, high level of information technology, scientific management, and professional service large-scale logistics enterprises. Allowing them to provide fast, safe, low-cost logistics services for cross-border E-commerce. These large logistics enterprises can also expand overseas through mergers and acquisitions to pursue the low cost of

cross-border Logistics. In addition, we need set up more than third party storage facilities in the main export country, which is conducive to improve the distribution efficiency and reduce logistics costs, but also easy accepted by local consumers.

B. Payment

On the one hand, we need to strengthen the development and application of information security technology, ensure the stability of the payment system, prevent network security incidents, and avoid cross-border e-commerce payment risks. On the other hand, we should support the third party payment institutions to carry out cross-border payments business, expanding the share of the market share of cross-border payments. At the same time; it also needs to improve the supervision mechanism of cross-border e-commerce payment and related legal system, such as management statistics system of cross-border payment. The third party payment needs to report to the relevant authorities on fund intercourse and provide transaction accurate information. Multi department (the industry and commerce administration, commerce department, the customs, central bank, etc) need to jointly establish cross-border e-commerce information platform to achieve inter departmental information sharing and strengthen the monitoring and audit of abnormal transactions, etc..

C. The Establishment of Credit System and the Mechanism of Dispute Settlement

We should construct a third party credit intermediary system, strengthen the qualification examination, evaluation, evaluation feedback mechanism to verify the credit conditions of buyer (especially individual buyers) to prevent malicious orders, withdraw money after payment, and malicious refuse delivery etc. Meanwhile, the sellers need to strengthen self-discipline and provide high-quality goods with integrity in overseas market to establish a brand. From the perspective of cross-border e-commerce platform, it need to take measures to ensure the quality, to prevent fake goods destroying the image and reputation of platform. In addition, the government also needs to participate in international negotiations actively, takes part in the establishment of dispute settlement mechanism, points the law s and regulations of which country when there is a dispute.

D. Customs Clearance Procedures, Legal and Regulatory Issues

Customs should innovate the regulatory model, under the premise of effective supervision to physical examination, the customs relying on the electronic port to explore the cross-border e-commerce customs clearance, receipt, verification, tax rebates, foreign exchange and other problems, to explore the paperless customs clearance and paperless tax and other convenient measures to rapid clearance. The relevant laws and regulations on cross-border e-commerce about identity verification, cross-border electronic payments, cross-border e-commerce taxation, users' privacy protection, electronic data protection and intellectual property should be improved. Government departments need to strengthen international

consultation and cooperation, explore countermeasures of supervision of cross-border e-commerce cooperation, and establish coordination mechanism about tariff concessions dispute resolution and guard against computer crime between countries on cross-border e-commerce to promote the healthy development of cross-border E-commerce.

E. Do Market Research and Optimize Customer Service

The differences of cultural, consumption habits, and legal system between different countries has always existed, the enterprise should have done a thorough research to the target market before carrying out cross-border e-commerce, especially about these differences. In addition, cross-border E-commerce makes foreign trade companies directly contact with the individual consumers, which are personalized. While traditional foreign trade enterprises only need to serve a small number of customers. Foreign trade enterprises also need to provide personalized service for small customers in cross-border e-commerce. In order to make all the customers satisfied with the transaction experience, data mining is inevitable. So in the future, the successful cross-border e-commerce companies must be familiar with the target market, and provide satisfied products and services to customers through data mining.

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