



Development of Cross-Border E-Commerce in the Context of China's Foreign Trade Strategy

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*China,
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ABSTRACT

Since 2013, China's cross-border e-commerce has developed rapidly under the impetus of state policy. Under the impact of the renminbi (RMB) currency appreciation, rising labour costs and international trade protectionism, China's foreign trade has slowed down relative to its overall growth rate. However, cross-border e-commerce has played an important role in the stability and development of China's foreign trade that has taken place. Against this background, this paper has collated the policies relating to cross-border e-commerce in China in recent years and has analysed the operational modes and opportunities for the cross-border e-commerce industry. It also investigates the general attitude and intention of the relevant government departments towards the industry and assesses the issues for relevant government departments and enterprises of cross-border e-commerce industry chains.

INTRODUCTION

Cross-border e-commerce refers to an international business activity that belongs to different trading entities, through which transactions are concluded, payments and settlements are made and goods are delivered through cross-border logistics to complete transactions. With the rapid development of global e-commerce and its promotion by the government, cross-border e-commerce has become a new form of import and export trade and, notably, it has broken the time and space constraints of international trade (Yuye, 2017). In recent years, China's cross-border e-commerce has been developing rapidly and cross-border e-commerce transactions scale have reached 6.7 trillion RMB. Of this, export cross-border e-commerce transactions reached 5.5 trillion RMB and the import cross-border e-commerce transactions reached 1.2 trillion RMB (CNNIC, 2018). The rapid development of China's cross-border e-commerce industry cannot be separated from the support of its policies. Since August 2012, the Ministry of Commerce of China promulgated "Several Opinions on the Use of E-commerce Platform to Develop Foreign Trade," while many important departments of the country have promulgated corresponding policies to support the development of cross-border e-commerce. Cross-border e-commerce strategy as an aspect of industrial policy by the Chinese government has become a major strategy for China's economic development (Song & Yanyan, 2015). On July 4th, 2015, China's State Council issued "The State Council's Guiding Opinions on Actively Promoting the 'Internet Plus' Action," which explored the development mode of "Internet + cross border e-commerce." On March 28th, 2015, authorized by the State Council, the State Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Commerce jointly issued the "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road," which is also known as the One Belt and Road (OBR) strategy. Cross-border e-commerce is an important component of the OBR strategy and it has become an important strategic link between the countries and regions in the territories concerned. On March 5th, 2018, at the first meeting of the

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13th National People's Congress, cross-border e-commerce, as a new growth point of China's foreign trade, was identified as a focal point of China's industrial strategy. This was after 2014, 2015 and 2017, when Chinese government work reports had once again explicitly referred to "cross-border e-commerce" and listed the establishment of cross-border e-commerce comprehensive pilot zones as one of the work items of the basic state policy of "opening to the outside world (Youkeshu, 2018)."

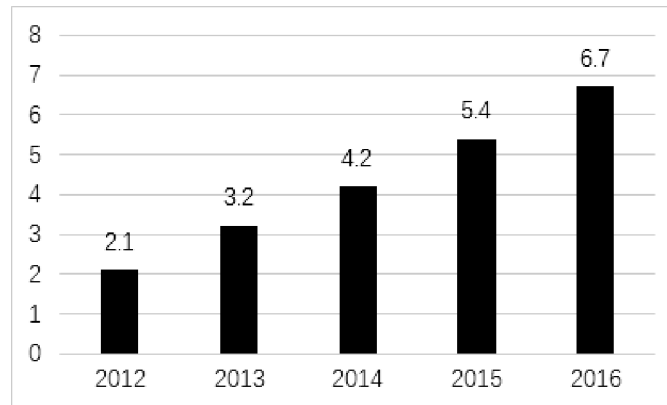


Figure 1. Scale of Cross-border E-commerce Transactions in China (2012-2016, Unit: trillion RMB)

Source. CNNIC (2018)

As one of the largest trade countries in the world, China's competitive advantage in traditional labour-intensive industries is difficult to sustain due to the increasing cost of labour and the difficulties in the transformation of logistics enterprises. The transformation of the traditional trade development mode is imperative (Jin, 2015). As an inevitable product of economic globalization and the Internet era, cross-border e-commerce can not only integrate the scattered social resources through the Internet system but, also, reduce the related costs of enterprise operations and transactions by relying on data transmission (Song & Yanyan, 2015). It can also eliminate the obstacles to economic globalization to a certain extent, solve the bottleneck points of traditional trade and promote the further integration of the world economy (Xianfeng & Hongliang, 2010). Consequently, under the Background of Foreign Trade Strategy in China, this study analyses China's cross-border e-commerce national policy, development mode and opportunities.

This paper uses a critical-analytical approach to investigating the issues of cross-border e-commerce development in China and linking China with other countries. This involves analysis of secondary literature produced by various agencies of the Chinese government and respectable academic sources, reports from research agencies and some media content. This approach is inspired by Owen's prescription for "... a constructivist lens and under the iterative tradition (Owen, 2014)," which combines subjective and objective approaches to the phenomenon (i.e. the object to be studied) in a method which provides, through iteration guided by external validation and immersion into the subject, academic rigor.

REVIEW OF CHINA'S FOREIGN TRADE STRATEGY

In the past 40 years of reform and opening up, China, the largest developing country in the world, has not only moved towards an increasingly developed socialist market economy but, also, profoundly changed the pattern of the world economy and global trade. Since Chinese economic reform began, China's trade strategy has gone through three stages: the trade strategy of combining import substitution with export orientation, the export orientation strategy and the trade strategy under the new pattern of comprehensive opening up (Desheng & Peizhen, 2018).

The trade strategy of combining import substitution with export orientation took place during 1979-1992, when the focus of China's foreign trade policy was to encourage exports. The Chinese government has taken various measures to reward exports and vigorously developed the export industry of labour-intensive manufactured goods. It has also restricted imports by means of a licensing system, foreign exchange control

and tariff enhancement (Lanqiong, 2016). From the 1970s to 2000, China vigorously developed labour-intensive industries and encouraged exports by introducing foreign capital, while retaining an import substitution strategy for technology-intensive industries that did not have comparative advantages (Xianfeng & Hongliang, 2010).

The export orientation strategy took over after China joined the WTO in 2001, from which time China has actively participated in the process of economic globalization, seized the historical opportunity period of international industrial transfer, greatly improved the scale and structure of trade and fundamentally changed the trade system. By enhancing its comprehensive competitiveness, China has constructed a quality-benefit-oriented foreign trade promotion and regulation system, implemented a balanced import and export policy, emphasizing the role of imports in boosting the economy, and further expanded the opening of the service industry (Lanqiong, 2016). In the fields of high-tech industries, such as the equipment manufacturing industry, modern service industry and environmental protection industry, it has intensified its efforts to introduce foreign capital.

With the increasing transnational investment and industrial transfer in the process of globalization, the proportion of intermediate trade in foreign trade is increasing and this has led China to enter the third stage of trade strategy. China is still in the middle to low position of the global value chain division of labour. Although the export volume of high-tech products has increased significantly, the core components and productive services are still not self-sufficient and the domestic value-added rate of export products is relatively low (Zhihuang, 2014). The 19th National Congress of the Communist Party of China (2017) proposed the promotion of the formation of a new pattern of comprehensive opening up, expanding foreign trade, cultivating new trade patterns and new modes, promoting the construction of a powerful trading country and implementing a high-level policy of trade and investment liberalization and facilitation. China's cross-border e-commerce strategy also began gradually to emerge at this stage.

The core of China's foreign trade strategy has become "opening to the outside world," which is a basic national policy of China that was put forward in 1980. Its main content is to develop vigorously and continuously strengthen foreign economic and technological exchanges, actively participate in international exchanges and international competition, replace closed-door self-reliance and self-sufficiency with internationalization of production and exchange, promote economic transformation and make China's economic structure transform from a closed into an open one. Under the basic national policy, the Chinese government has put forward many national strategies. The Third Plenary Session of the 11th CPC Central Committee decided to set up special economic zones. The 17th CPC National Congress has promoted the construction of free trade areas as a national strategy. Further, in 2015, authorized by the State Council, the State Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Commerce jointly issued the OBR policy.

Special Economic Zone Strategy

In August 1980, the Standing Committee of the Fifth National People's Congress deliberated upon and adopted the "Regulations on Special Economic Zones of Guangdong Province," approving the establishment of special economic zones in Shenzhen, Zhuhai, Shantou and Xiamen on a trial basis. In May 1984, the Chinese State Council decided to open all the 14 coastal cities in China in the same way. In February 1985, the State Council approved the division of the Yangtze River Delta, the Pearl River Delta and the South Fujian Delta into coastal economic open zones. In 1992, the Chinese State Council decided to open five cities along the Yangtze River and 17 provincial capital cities as open cities. China's opening up to the outside world is a new pattern of opening to the outside world from south to north and from east to west. By means of preferential measures such as tariff reductions and exemptions, special economic zones can promote the economic and technological development of their host countries by creating a favourable investment environment, encouraging foreign investment and introducing advanced technology and scientific management methods. Special economic zones implement special economic policies, flexible economic measures and special economic management systems, while adhering to the development goal of the export-oriented economy. For example, the income tax rate of enterprises in the Special Administrative Region is 15%, which is lower by half than that of joint ventures in the mainland. Special preferential treatment is given to enterprises with an investment of more than US\$5 million or those with higher technology and longer capital turnover period. Businesspeople whose profits are reinvested in the special zone for more than five years may apply for a reduction or exemption of income tax for reinvestment. Machinery and equipment, spare parts, raw materials, means of transport and

other means of production necessary for the production of enterprises may be exempted from import duties. The policy of special economic zones has expanded China's foreign trade and accelerated its economic development. It also lays an environmental foundation for the development of cross-border e-commerce.

Free Trade Area Strategy

The China Free Trade Area (FTA) refers to a multi-functional economic zone established outside customs in China, with preferential taxation and special customs supervision policies as the main means and trade liberalization and facilitation as the main purpose. It means allowing goods to be imported, manufactured and re-exported without customs intervention. On September 27th, 2013, the Chinese State Council approved the establishment of China's first free trade pilot area in Shanghai. Since 2013, China has established 13 free trade pilot zones, which have gradually expanded from eastern coastal cities such as Shanghai and Tianjin to southern inland cities. The FTA is an important engine to create an upgraded version of China's economy. In recent years, China's foreign trade has dropped sharply, which has had a huge impact on the domestic economy. Under the background of economic globalization, international economic cooperation has become more important and it has become imperative to accelerate the flow of resources. The establishment of an FTA will help to boost foreign trade, stabilize economic development and create a good environment for China's economic transformation and upgrading. Meanwhile, free trade zones make up for the shortcomings of China's cross-border e-commerce in terms of procedures, logistics and after-sales. A comprehensive platform for cross-border e-commerce has been established, which is dominated by the operational mode of the FTA.

OBR Strategy

This strategy proposes to build a new Asia-Europe Continental Bridge, China-Central Asia-West Asia, China-Central South Peninsula, China-Mongolia-Russia and other international economic cooperation corridors on land, supported by the central cities along the route and based on key economic and trade industrial parks as cooperation platforms. It puts forward the importance of relying on important ports at sea to build a safe and efficient transport corridor. With the help of existing and effective regional cooperation platforms, China has actively developed economic partnerships with countries along the route and jointly built a community of interests, destiny and responsibility with political mutual trust, economic integration and cultural inclusion. The era of large-scale infrastructure construction in China has basically passed and the capacity of almost all traditional industries, such as steel, cement and coal, has been excessive (Jiangxue, 2018). Through the OBR strategy, China's own capacity advantages, technology and capital advantages, experience and mode advantages will be transformed into market and cooperation advantages. It encourages the opening up to the west and promotes the development of the western region, as well as the development of inland countries and regions such as Central Asia and Mongolia, while also promoting the concept of inclusive development of globalization in the international community, realizes the rebalancing of globalization and opens up new forms of regional cooperation. Cross border e-commerce has become the focus of the construction of OBR and has been listed as one of the work items in China of "opening to the outside world."

DEVELOPMENT OF CROSS-BORDER E-COMMERCE POLICY IN CHINA

In recent years, China's cross-border e-commerce has achieved explosive growth, which has been significantly higher than that of traditional trade, thereby inspiring traditional trade enterprises to accelerate their own transformations to e-commerce modes (Zhenhua & Yijun, 2015). From September 2013, the Commerce Ministry and General Administration of Customs and other eight ministries and commissions, in "Opinions on Implementing Policies to Support the Retail Export of Cross-border E-commerce," pointed out the direction for the development of cross-border e-commerce in China. This has important and far-reaching significance for the transformation and upgrading of foreign trade. From the State Council to the relevant ministries and commissions, there are also intensive policies and measures for cross-border e-commerce (shown in the Appendix).

Customs, as a key link in the chain of cross-border e-commerce supervision, has the right to formulate cross-border e-commerce policy. In recent years, the Customs office has issued a number of measures to ensure the rapid development of cross-border electricity providers. For example, the Customs operates 365 days without rest throughout the whole year, so that customs formalities are completed within 24 hours after the goods arrive at the Customs regulatory sites. Meanwhile, the Customs, which carries out the supervision of

cross-border e-commerce, has formulated a linkage operation mechanism, emergency plan and overall work programme of cross-border e-commerce customs clearance throughout the year. This ensures that e-commerce enterprises enjoy the convenience of customs clearance.³

Since the cross-border e-commerce industry necessitates the involvement of many national departments, besides the State Council and the General Administration of Customs, the relevant government departments such as the Ministry of Commerce, the General Administration of Quality Inspection and Quarantine and the Administration of Foreign Exchange have also introduced or participated in the formulation of relevant cross-border e-commerce policies (Xudong & Liren, 2015). The relevant state departments involved include the State Development and Reform Commission, the Ministry of Finance, the Ministry of Industry and Information Technology, and the Ministry of Industry, the Ministry of Commerce, the State Administration of Taxation, the State Administration of Quality Supervision and Inspection, the General Administration of Food and Drug Administration, the Ministry of Transport, the State Administration of Industry and Commerce, the State Post Office, the State Administration of Foreign Exchange, the People's Bank of China, the Banking Regulatory Commission, the Central Network Information Office, the Endangered Administration, the Cryptographic Bureau and so on. Departments, from their own business perspective to cross-border e-commerce industry, have introduced or participated in the introduction of support or regulatory policies and measures, and the introduction of these policies and measures to cross-border e-commerce industry has been very influential in promoting it. Regulatory policies also start from the perspective of long-term development of the industry and better regulate the problems arising from the industry (China E-Commerce Research Center, 2016).

Cross-Border E-Commerce Comprehensive Pilot Zone Policy

China's cross-border e-commerce comprehensive pilot area is a pilot urban area for the comprehensive examination of the nature of cross-border e-commerce activities established in China. It aims to provide the first test of technical standards, business processes, regulatory models and information construction in cross-border e-commerce transactions, payments, logistics, customs clearances, tax rebates, settlements and other links. On March 7th, 2015, the State Council agreed to establish China's first comprehensive pilot zone for cross-border e-commerce in Hangzhou. On January 6th, 2016, the executive meeting of the State Council decided to establish the second batch of comprehensive pilot zones for cross-border e-commerce in 12 cities including Tianjin, Shanghai, Chongqing, Hefei, Zhengzhou, Guangzhou, Chengdu, Dalian, Ningbo, Qingdao, Shenzhen and Suzhou. On July 24th, 2018, the State Council agreed to set up a comprehensive cross-border e-commerce pilot area in 22 cities (shown in Figure 2 below). With the comprehensive development of pilot zones, the Customs has carried out cross-border e-commerce trade statistics systematically and the related supporting policies will serve export enterprises more accurately and create a better export policy environment for their development. In the future, cross-border e-commerce is expected to be fully promoted in China.

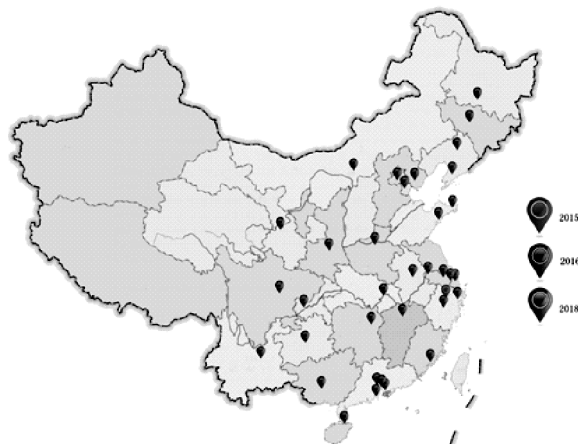


Figure 2. Map of Cross-border E-commerce Comprehensive Pilot Zones in china

Export Cross-Border E-Commerce Policy

China's export cross-border e-commerce trade is an important part of China's foreign trade. In recent years, the government has issued intensive policies on export cross-border e-commerce. The government has striven to give cross-border e-commerce enterprises a good environment for development. On August 21st, 2013, the Ministry of Commerce issued Opinions on Implementing Retail Export Policies for Supporting Cross-Border E-Commerce, which clarified the main problems that perplex cross-border e-commerce in customs, such as inspection and quarantine, taxation and foreign exchange collection, in a way that is intended to be conducive to promoting the healthy development of cross-border e-commerce (Xudong & Yaoqiu, 2016). In May 2014, the State Council issued "Several Opinions on Supporting the Steady Growth of Foreign Trade" to support export facilitation, emphasizing stabilizing the export of traditional superior products and supporting the export of products with intellectual property brands, marketing networks, high technology content, high added value and high efficiency. On January 29th, 2015, the State Administration of Foreign Exchange (SAFE) issued the Notice on the Pilot of Transnational Foreign Exchange Payment Business for Payment Institutions, which stipulates that the limit of a single transaction for online shopping should be increased from \$10,000 to \$50,000 and the restriction on the number of foreign exchange reserve accounts opened by payment institutions should be relaxed. Payment institutions are required to perform strictly the duty of transaction authenticity auditing, retaining relevant information for five years for reference and ensuring the timely and accurate submission of relevant business data and information. On May 7th, 2015, the State Council issued "Opinions on Vigorously Developing Electronic Commerce and Accelerating the Cultivation of New Economic Motivations," which put forward the following opinions: creating a relaxed development environment, promoting employment and entrepreneurship, promoting transformation and upgrading, improving logistics infrastructure, building a security line of defense and improving the support system. On June 16th, 2015, the General Office of the State Council promulgated the Guiding Opinions on Promoting the Healthy and Rapid Development of Cross-Border E-Commerce. It proposed to improve further the management mode of goods and goods in and out of cross-border e-commerce and optimize the customs clearance process of cross-border E-Commerce Customs.

Import Cross Border E-Commerce Policy

After 2013, cross-border import e-commerce platform gradually appeared, cross-border online shopping users also increased year by year. The scale of cross-border import e-commerce market in China increased rapidly. In 2015, due to the norms of import tax policies and the reduction of tariffs on some imported goods, cross-border import e-commerce explosively increased (Yaqi, 2015). On May 25th, 2015, the Customs Department of the Ministry of Finance decided to reduce the import tariff rate of some consumer goods, such as clothing, shoes, skin care products and diapers, by an average of more than 50% since June 1st, 2015. On March 24th, 2016, the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation announced that China will implement a new cross-border e-commerce retail import tax policy and adjust its postal tax policy from April 8th. Cross border e-commerce retail import commodities will no longer be subject to postal tax on postal items. However, customs duties and import value-added tax and consumption tax shall be levied on the goods. On November 24th, 2017, the Ministry of Finance promulgated the Notice of the Tariff and Tax Commission of the State Council on the Adjustment of Import Tariffs of Some Consumer Goods to reduce import tariffs on some consumer goods in the form of provisional tariff rates. The tax reduction covers all kinds of consumer goods such as food, health care products, pharmaceuticals, daily chemicals, clothing, shoes and hats, household equipment, cultural entertainment, daily groceries and so on. The average tax rate dropped from 17.3% to 7.7%.

FINDINGS AND DISCUSSION

Operation Mode of Cross-Border E-Commerce Development in China Mode and Characteristics of Import Cross-Border E-Commerce

At present, there is no clear classification standard for the cross-border e-commerce mode in the Chinese market. Different types of import cross-border e-commerce modes can be formed through the combination of an e-commerce platform with different industries such as logistics, customs clearance, sales and so on. From the perspective of cross-border e-commerce transactions, cross-border e-commerce modes can be divided into the customer-to-customer (C2C) overseas purchasing mode, business-to-customer (B2C) overseas purchasing mode, third-party C2C and B2C mode, self-operated and third-party mixed modes (iiMedia Research Group,

2017). From the perspective of cross-border e-commerce and logistics cooperation, the cross-border e-commerce mode can be divided into the platform direct mail mode, overseas warehouse direct mail mode, bonded area mode, guided purchase rebate mode, overseas flash purchase mode and overseas sale mode, as shown in Table 1 below.

Table 1. Main Mode of Import Cross-border E-commerce

| Mode | Representative website | Main characteristics |
|-------------------------------------|-------------------------------------|--|
| Overseas warehouse direct mail mode | www.jd.com; pages.kaola.com | Commodity prices are transparent, there are many types of overseas goods and the advantages of scale are obvious. At present, it has formed a one-stop service for purchasing, agency and sales. However, it is difficult to distinguish between genuine and fake imports. Even if they find fake goods, consumers will have difficulty in safeguarding their rights. |
| B2C overseas purchasing mode | www.letao-cn.com | Overseas purchasing mostly completes transnational transactions by means of transshipment logistics and can achieve global transactions without restriction of international transport terms. However, if the goods are damaged or unsatisfactory, customers will not be able to exchange them easily and the cost will be higher. |
| C2C overseas purchasing mode | www.tworld95.com; www.ymatou.com | Overseas purchasing mode belongs to information service, which provides preferential commodities for consumers by searching for price differences between domestic and foreign commodities or promotion information of foreign commodities. However, this mode requires higher operational requirements, as well as higher requirements for choosing commodity quality and capital precipitation capacity. |
| Self-operated B2C mode | pages.kaola.com; www.suning.com | The quality of overseas goods can be guaranteed. It is easy to get market recognition by virtue of a complete industrial chain. However, this model needs a lot of funds for support and needs to establish a strong operation team, as well as support in logistics, overseas warehouses, bonded warehouses and so on. |
| Third-party C2C and B2C mode | www.Tmall.com; www.taobao.com | Foreign businesses send goods directly to the platform and the subsequent operation is all controlled by the platform. However, this mode is only suitable for large platforms and small platforms find it difficult to attract business cooperation. |
| Guided purchase rebate mode | www.letsebuy.com | Shopping guide can save consumers' time and money and belongs to the service mode. However, this mode is prone to fraud because of the serious problem of information asymmetry, so the stickiness of consumers is not high. |

Mode and Characteristics of Export Cross-Border E-Commerce

From the perspective of operations, the export cross-border e-commerce mode includes the wholesale-retail mode, self-production and self-marketing mode and consignment sale mode. Among them, wholesale-retail mode is the main form of export cross-border e-commerce operation (Chen et al., 2017). The core idea of wholesale-retail is to use the way of hoarding goods to obtain goods at the lowest price and then sell them to obtain intermediate profits. However, this mode is vulnerable to seasonal influences (Wei, 2017). During the peak season, sufficient merchandise is needed to make up for the cost of purchasing, labour and logistics. In the off-season, too much overstock may cause greater pressure on the seller's capital flow. Self-production and self-marketing, namely manufacturer to consumer (M2C), is the main operation mode of large brands with a certain market share (Accenture & AliResearch, 2015). Most of the cross-border businesses of self-production and self-marketing enterprises are entrusted to e-commerce enterprises. All of their online sales and management are accomplished by specialized cross-border e-commerce enterprises. Consignment sale mode belongs to the

third-party intermediary operation mode, that is, the seller has cooperative relations with the producer, manufacturer or wholesaler and sells goods through their own channels. Since this mode does not require purchase and storage, it has low investment and low risk, which is more suitable for small cross-border e-commerce sellers (Yu, 2018). From the perspective of online business, export cross-border e-commerce mode mainly includes two modes: B2B and B2C. Among them, the B2B mode includes information platform and trading platform, while the B2C mode includes opening platform and self-operating platform, as shown in Table 2 below.

Table 2. Classification of Export Cross-Border E-Commerce Modes

| Business Modes | Type of platform | Representative website | Main characteristics |
|-----------------------|-------------------------|--|--|
| | information platform | www.1688.com; cn.made-in-china.com; china.trade2cn.com | The platform mainly provides transaction information and services, with service fees and membership fees as the main revenue sources and means. |
| B2B mode | trading platform | seller.dhgate.com; china.osell.com | The platform mainly provides transaction services, belongs to the intermediary platform and collects commissions according to the percentage of the total amount of matching transactions completed. |
| | opening platform | seller.aliexpress.com; www.amazon.cn | The platform is a comprehensive service platform, responsible for all business activities of cross-border e-commerce through the advantages of resource integration. |
| B2C mode | self-operating platform | www.milano.cn; www.globalegrow.com | The platform pays attention to the establishment of self-owned brand, the quality of goods can be guaranteed and the individualized needs of customers can be realized through Internet technology. |

The Opportunity of Cross-Border E-Commerce Development in China

Since 2013, Most of the policies issued by the government have been basically aimed at eliminating obstacles in the development of cross-border e-commerce, such as payments, logistics, customs clearance and other issues. It has aimed to optimize and improve taxation, collection and settlement of foreign exchange, inspection and customs clearance. Systems innovation, management innovation, service innovation and coordinated development can solve the deep-seated contradictions and institutional problems in the development of cross-border e-commerce. Building a complete industrial chain and ecological chain of cross-border e-commerce and gradually forming a set of management systems and rules to adapt and lead to the development of global cross-border e-commerce can promote the healthy development of cross-border e-commerce in China and provide replicable and available experiences. Specific measures include improving customs clearance efficiency, standardizing customs clearance process and combating illegal imports and exports. Moreover, the continuous support of national policies for cross-border e-commerce exports is conducive to promoting the development of China's manufacturing, electronic payments, logistics, information services and other industries. It can also optimize China's industrial structure and accelerate the transformation and upgrading of industrial structure (Jiawei & Shudong, 2018).

On the other hand, cross border e-commerce is an inevitable outcome of economic globalization and the Internet era and is also an important form of expression to cater to China's "Internet Plus" development strategy. Firstly, it can not only replace the traditional large-scale order trade mode with the single batch trade mode, eliminate the obstacles of economic globalization and promote the further integration of the world economy but, also, it can enable enterprises quickly to join the economic globalization movement. By means of its flat operation mode, a large number of intermediate links can be saved and made more efficient and that can reduce the running cost of enterprises and enable enterprises to enjoy a more equal trade environment. Secondly, the development of cross-border e-commerce depends to a certain extent on the number of Internet users and the

network's popularity rate. According to "The 42nd China Statistical Report on Internet Development," by June 2018, Internet users in China had reached 802 million, which was an increase of 3.8% over the end of 2017, and the popularity rate of Internet networks had reached 57.7% (see Figure 3 below). Cross border e-commerce is a product of the modern consumption concept. Thirdly, with the development of China's economy and the increasing demand for consumption, the population of the middle class, which has higher demand for product quality and brand diversification, is growing steadily. According to statistics, the total value of family wealth in China exceeded 20 trillion USD in 2015. However, domestic e-commerce alone struggles to meet the individual and mass needs of the middle class. The quality assurance of overseas commodities has become the target of the middle class and cross-border e-commerce is facing new opportunities for development.

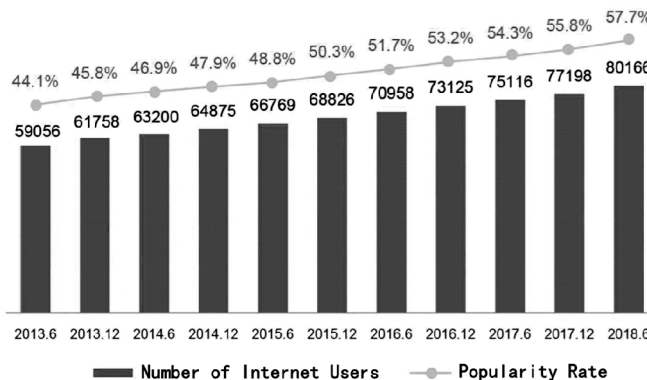


Figure 3. Internet Users and Network Popularity Rate in China Source. CNNIC, 2018.

The Deficiency of Cross-border E-Commerce Development in China

Cross-border e-commerce has a lot of policy support in China. However, in these policy documents, there is a lack of authoritative national laws. This means cross-border e-commerce operations lack specific guidance and they are confronted with lawlessness, which is not conducive to the long-term sustainable development of the industry. China's Electronic Commerce Law will be implemented in 2019 but its regulation of cross-border e-commerce is only a general framework, without specific provisions and operability. There is no real solution to the problems in practice. Besides, owing to the short time of developing cross-border e-commerce in China, its business operation mode is still immature and there are communication barriers or timeliness in the international e-commerce operation mode. Cross-border e-commerce has a high incidence of fraud. For example, after Chinese consumers bought fake products on foreign websites, it has turned out to be very difficult to return them, since it is not only time consuming and difficult to communicate but, also, costly to carry on an overseas lawsuit (Hongkun & Yanling, 2017). Consequently, many consumers can only take the losses themselves and their issues will not be investigated. Further investigation is required as to the reasons why Internet consumers are unwilling to protect their rights. According to the "China Big Data Report on Network Consumption Deception 2016," after consumers encounter e-commerce fraud, 33.7% chose silence, 26.9% of the consumers made an outcry through social media channels, 26.3% of the consumers chose to contact the merchants and only 13% complained to the rights protection agencies. All these problems affect the operational efficiency and developmental prospects of cross-border e-commerce to a certain extent.

RECOMMENDATIONS AND PROPOSED SOLUTIONS

Improve the Regulatory System

Firstly, due to the numerous operation modes and complex business processes of cross-border e-commerce, regulatory gaps are prone to emerge in the process of supervision. It is proposed to transform government functions and build coordination mechanisms for various regulatory departments in cross-border e-commerce industry. Information system integration can be carried out within the cross-border e-commerce regulatory authorities to reconstruct the current cross-border e-commerce transaction process. Through Internet technology, information and data can be circulated in Quarantine Department of Customs, Ministry of Industry and Commerce and other functional national departments. Secondly, streamline the government supervision

departments and simplify the import and export processes of cross-border e-commerce commodities, which will enhance the efficiency of cross-border e-commerce operators. Thirdly, the Chinese government should improve the legal system of cross-border e-commerce and formulate national standards and norms for the industry. For example, the electronic identification database of cross border business operators should be established and taken as a legitimate operation identification. All the information of cross-border e-commerce operators with electronic identification will be registered in government departments. On the one hand, electronic identification can ensure the quality and safety of goods, on the other hand, the source of goods can be found in time when goods are in trouble.

Strengthening Credit System Construction

Firstly, China should strengthen credit construction in the cross-border e-commerce market to reduce or eliminate information asymmetry. The government can introduce blockchain technology into the cross-border e-commerce market and establish the cross-border e-commerce credit system through the characteristics of the blockchain technology, such as traceability, non-tampering modification, information and data sharing. The government might also establish an incentive-punishment linkage mechanism matching the information system, so as to make the cross-border e-commerce market more open, transparent and standardized. Secondly, it should strengthen the supervision of small and medium-sized cross-border e-commerce service providers and raise the entry threshold of the cross-border e-commerce industry. It should also regularly conduct spot checks and ratings on businesses in cross-border e-commerce platforms and resolutely ban irregular e-commerce businesses so as to purify the operating environment of the industry. Thirdly, with the rapid development of cross-border e-commerce and the increase of the market size in China, when establishing a cross-border e-commerce credit system, it should be in line with the international market. The evaluation system and standards should comply with international standards as far as possible. On the one hand, it can reduce international disputes in cross-border e-commerce business and, on the other hand, it can enhance the image of cross-border e-commerce industry in China.

Personnel Training and Cross Border E-Commerce Business Optimization

Through universities, social training institutions, industry associations and other channels, it is necessary to train personnel suitable for cross-border e-commerce development, for example, for setting up a cross-border e-commerce major in technical colleges and universities, exploring new cross-border e-commerce modes in line with the development of e-commerce and cultivating a group of personnel with a solid theoretical basis of knowledge. At the same time, the cooperation between schools and cross-border e-commerce enterprises should be strengthened. By means of school-enterprise cooperation, theory and practice can be combined and a group of personnel with both theoretical and practical abilities can be trained. On the other hand, social training institutions and trade associations should fully integrate the resources and information in the market, especially the information data of important links such as network order, distribution, warehousing and sales and rely on big data, cloud computing and other technologies to carry out detailed analysis to identify industry development problems and solve them. For example, cross-border parcels cannot be tracked through the whole process. Through the cooperation between domestic and foreign logistics enterprises, we can achieve the docking of logistics data and information in the form of principal-agent or overseas mergers and acquisitions, so as to achieve the whole process of cross-border logistics tracking.

DISCUSSION ON THE DEVELOPMENT ORIENTATION OF CROSS-BORDER ELECTRONIC COMMERCE IN CHINA

China's cross-border e-commerce policy still belongs to the trade strategy under the new pattern of comprehensive opening up. The main way for the national foreign trade strategy to promote China's economy has gradually changed from investment-driven to consumer-driven. Meanwhile, the downward pressure on China's economy has been increasing. The gradual rise of labour costs and logistics costs has made it difficult for China's traditional foreign trade development mode to continue. The Chinese government is constantly looking for new channels and new economic growth points. Cross-border e-commerce is becoming more and more important in China's foreign trade strategy. Structurally, the development of cross-border e-commerce in China is dominated by exports and supplemented by imports. The proportion of cross-border e-commerce

exports has long been higher than that of cross-border e-commerce imports. China promotes the development of cross-border e-commerce, aiming more at supporting traditional foreign trade enterprises to expand the market and transform it by means of Internet channels. Consequently, the cross-border e-commerce policies issued by China pay more attention to export cross-border e-commerce and there are still shortcomings in import cross-border e-commerce.

On the form of policy promotion, cross-border e-commerce comprehensive pilot zones, similar to special economic zones and free trade areas, are gradually promoted from east to west, from north to south and from coastal developed cities to inland cities. This is a typical way of promoting China's industrial policy. However, the promotion speed is very fast, since from 2015 to 2018 the comprehensive pilot zones have effectively promoted most of China's provinces. This shows that the development of cross-border e-commerce has a positive effect on China's foreign trade and the effect of policies supporting industry is remarkable.

From the perspective of the transaction mode, the B2C mode is the main mode of cross-border e-commerce development in China. China has been developing cross-border e-commerce for a short time and its business model is still immature. However, in the future, the focus of cross-border e-commerce in China will shift from the B2C mode to the B2B mode. By pushing manufacturing enterprises on line and promoting the transformation of foreign trade integrated service enterprises and logistics enterprises, the B2B mode has the greater development potential.

CONCLUSION

From the perspective of China's foreign trade strategy, this paper explores the development of cross-border e-commerce in China. China's cross-border e-commerce development is still in its infancy but it is developing rapidly and the development of cross-border e-commerce has become the focus of promoting China's foreign trade growth. Further, the paper puts forward suggestions to improve the aspects of regulatory system, credit system construction and personnel training of cross-border e-commerce in China, which can provide information for government departments to formulate policies and enable China's cross-border e-commerce to develop healthily and sustainably. It can also guide the relevant enterprises in the foreign trade industry to attach importance to cross-border e-commerce and improve its application. Meanwhile, it is believed that China's cross-border e-commerce policy is still belonging to the trade strategy under the new pattern of comprehensive opening up. The development of cross-border e-commerce has a positive effect on China's foreign trade and the focus of cross-border e-commerce in China will shift from B2C mode to B2B mode. This provides the theoretical basis for government departments and industry researchers.

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