Studies on the Transformation and Upgrading of China’s Foreign Trade under the Development of Cross-border E-commerce

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Abstract

E-commerce, as kind of business activity, is featured modernization and advancement. This paper firstly elaborated the development of cross-border E-commerce, and made it clear that the transaction scale of cross-border E-commerce in China has expanded, contributing to the increasing total foreign trade volume. Furthermore, this paper analyzed the influences of cross-border E-commerce on the traditional foreign trade, with the conclusion that not only can it propel the transformation of business subjects and the production modes, but also it can update the traditional transaction modes. Finally, this paper explored the transformation and upgrading strategies of China’s foreign trade, and brought forwards some countermeasures correspondingly.

Keywords

Foreign Trade; Transaction Mode; Cross-border E-commerce; Transformation and Upgrading.

1. Development of Cross-border E-commerce

In recent ten years, as the Internet technology has developed quickly, cross-border E-commerce has also seen rapid development and gradually become a new form of foreign trade, which boosts the development of China’s foreign trade. Thus, it is significant and necessary to conduct the research on cross-border E-commerce and to upgrade the foreign trade. It is of great theoretical and practical significance to actively explore the countermeasures of China’s foreign trade transformation and upgrading in the new era. In the past five years, a variety of studies on cross-border E-commerce have been made, especially about the influences of cross-border E-commerce on the national traditional foreign trade. Wang Junjie (2018), Huang Zhenzhen (2020) and Liu Hongyu (2020) carried out researches on the influences of cross-border E-commerce in free trade area on China’s foreign trade. Hu Linzhu and Li Binglin (2019) analyzed the influences of the development of cross-border E-commerce on the transformation of China’s foreign trade mode. Wang Yanxiang et al. (2018), Ma Xiaoyan (2019) and Liu Hao (2020) mainly explored the transformation and strategies for China’s international trade mode under the development of cross-border E-commerce. Wang Huixin (2020) carried out the research on the transformation and upgrading of small and medium-sized foreign trade enterprises under the background of cross-border E-commerce.

Under the rapid development of science and technology, cross-border E-commerce has ushered in unprecedented development and has become a dark horse in international trade. Table 1 shows the sales volume of China’s cross-border E-commerce from 2015 to 2019, from which it can be seen that the transaction scale of China’s cross-border E-commerce is growing day by day and is expected to realize a new breakthrough and reach 16 trillion yuan this year.
Table 1. Sales Volume of China’s Cross-border E-commerce from 2015 to 2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Scale of cross-border E-commerce transactions (Unit: 100 million yuan)</th>
<th>Total foreign trade volume (Unit: 100 million yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>5.4</td>
<td>24.7</td>
</tr>
<tr>
<td>2016</td>
<td>6.7</td>
<td>24.3</td>
</tr>
<tr>
<td>2017</td>
<td>8.06</td>
<td>27.8</td>
</tr>
<tr>
<td>2018</td>
<td>9.7</td>
<td>30.5</td>
</tr>
<tr>
<td>2019</td>
<td>10.8</td>
<td>31.54</td>
</tr>
</tbody>
</table>

Seen from the development of cross-border E-commerce at the initial stage, the mode of product display and the mode of transaction are different, of which the former is mainly online, and the latter is offline [1]. To engage in cross-border E-commerce, enterprises must sell products by virtue of online platforms. A number of foreign trade enterprises make use of E-commerce to cope with market competition. In recent years, new development of cross-border E-commerce has brought new development opportunities for E-commerce enterprises. Benefiting by E-commerce platforms, E-commerce enterprises not only optimize and innovate their own development mode, but also make rational allocation of resources, in consequence, they have realized electronic payment process and online transaction, which facilitates the development of related transaction activities. With vast potential for future development, today’s cross-border E-commerce has caused major changes to the pattern of the industrial chain, which has brought greater and greater influences on foreign trade enterprises. As for the development of China’s foreign trade, it has gradually entered a new normal state that cross-border E-commerce greatly impacts the traditional trade and plays an important role in stimulating its development.

There are three modes of cross-border E-commerce, including C2C, B2B and B2C, whose transaction characteristics are shown in Table 2 respectively. Among the three modes, B2B is the most important mode and plays a dominate role in the field of cross-border E-commerce. However, B2C has shown unique advantages in the new era, mainly due to its time-efficient delivery and better service level, especially good after-sales service. At present, the number of cross-border E-commerce enterprises adopting this mode is gradually increasing, such as Kaola and Tmall Global.

Table 2. Modes and Characteristics of Cross-border E-commerce

<table>
<thead>
<tr>
<th>Mode</th>
<th>Transaction characteristic</th>
<th>Representative website</th>
</tr>
</thead>
<tbody>
<tr>
<td>C2C</td>
<td>Consumer To Consumer</td>
<td>eBay</td>
</tr>
<tr>
<td>B2B</td>
<td>Business to Business</td>
<td>DHgate, Alibaba</td>
</tr>
<tr>
<td>B2C</td>
<td>Business to Customer</td>
<td>Lantingjishi, Amazon</td>
</tr>
</tbody>
</table>

2. Impact of Cross-border E-commerce on the Traditional Foreign Trade

The development of cross-border E-commerce not only changed people’s buying habits, but also had a significant influence on the traditional mode of foreign trade, which is specially reflected in the following aspects:

First of all, it provides a new way for the further development of foreign trade. According to the analysis on the current social and economic development in China, China’s national economy is in the midst of industrial restructuring, and in a critical period of development. The gradually disappearing demographic dividend has brought a negative impact on the development of traditional manufacturing industry, and undermined its advantages, which is not conducive to enhancing its own competitiveness, and even leads to the result that the competitiveness of China’s traditional manufacturing industry in the world is gradually declining. In addition, it is
not conducive to enhance China's national economic development. In order to boost the economy, a number of countries have adopted the implicit transaction mode in their foreign trade, which can help them gain short-term benefits, but will lead to intensified international trade conflicts. With the development of cross-border E-commerce, it has provided new strategies for the promotion of China's foreign trade, and changed the its transaction mode. The use of online video and E-mail not only can break through the temporal and spatial constraints of foreign trade activities, but also can reduce the transaction costs for both parties, and thus ensure better economic benefits.

Secondly, it causes changes in business subjects. The advanced information technology has been widely used in international cross-border E-commerce [2]. In this case, transactions of virtual products have gradually emerged, prompting changes in the transactions entities, which is the current status of the real economy enterprises. The development of cross-border E-commerce has caused consumers to have growing and growing demand for personalized consumption. In order to meet the needs of the masses and realize their further development, a number of trading companies have started their communication and cooperation with virtual enterprises, which not only causes changes in business subjects, but also causes the organizational structure of national trade to be readjusted and optimized.

In the end, it accelerates the emergence of flexible modes of production. It cannot be ignored that the cross-border E-commerce also has influences on the production mode of trading companies [3]. Under the background of cross-border E-commerce, the orders are mainly personal orders with a significant rise in its number, making export enterprises faced with new challenges. In order to meet the diversified needs of customers, it is necessary for enterprises to perfect the business model in the development of foreign trade, eliminate the restraints of the previous way of thinking, and establish flexible modes of production, in a bid to enhance operating efficiency and quality, and achieve ideal economic benefits, and long-term development.

3. Analysis on the Transformation and Upgrading Strategies of China’s Foreign Trade under the Development of Cross-border E-commerce

3.1. Upgrading the trade mode

With the continuous development of cross-border E-commerce, it has provided new ideas for the transformation of China’s foreign trade and a new direction for its upgrading and development, such as comprehensive service trade, B2C cross-border foreign trade model, etc. Therefore, it is necessary to pay attention to the upgrading of the trade mode in the process of transformation [4]. B2B is a commonly seen mode of cross-border E-commerce trade in China, accounting for a large proportion, as high as 90%. However, the B2C cross-border trade mode is not used frequently, meaning that it has huge potential for development. Accordingly, enterprises play a crucial role in China's cross-border E-commerce trade. To achieve the successful transformation of China's foreign trade, it is necessary to actively promote and develop the B2C foreign trade based on the actual economic development of our country, and pay attention to discovering our own strengths to maximize the role of "Made in China". In addition, the development of cross-border E-commerce has boosted the development of "Made in China", which can help to effectively realize the transformation from "Made in China to the market" [5].

While upgrading China’s foreign trade modes, it is essential to promote the implementation of cross-border E-commerce, so as to enable it to provide enterprises with more quality services, and optimize the quality of business services, thereby creating a better environment to realize the accelerated transformation and upgrading of China’s foreign trade.
3.2. Shaping a platform of business credit and image

Good credit and image are the basis and prerequisite that determines whether various foreign trade activities can be carried out smoothly. Therefore, to propel the development of China’s foreign trade with the help of cross-border E-commerce platforms in the face of the new situation, it is needed to rely on the transformation and upgrading on the basis of good credit and image, making it necessary to shape such a business platform[6]. The building of the above business platform needs the necessary support from the government, which plays an irreplaceable role in this process. In this case, the government should clarify its own responsibilities, set itself an example to others, and enhance government reputation. In the meantime, relevant credit evaluation incentive mechanism should be formulated, in a bid to stimulate the enthusiasm of concerning subjects for active participation in online reputation evaluation, and implementation of supervising foreign trade activities. With the help of this mechanism, it is feasible to discover foreign trade institutions or third parties with poor reputation and punish them in a targeted way to regulate their behaviors. In case of necessary conditions, it is also feasible to make use of laws to sanction them, so as to effectively improve the foreign trade environment and lay a solid foundation for further transformation and upgrading. In addition, it is also necessary to establish a scientific and reasonable social credit guarantee mechanism to achieve mutual benefit and reciprocity, and drive concerning subjects to operate in good faith and avoid unnecessary problems, thereby creating a good international reputation for China’s foreign trade in the process of transformation and upgrading, and promoting the efficient implementation of relevant activities.

3.3. Strengthening multi-cooperation

It is the only way for the transformation of foreign trade to strengthen multi-cooperation against the background of cross-border E-commerce. In the midst of the application of the B2C mode, the business is characterized by complexity with small volume of business. Faced with this situation, it is needed to focus on strengthening the cooperation with third-party logistics enterprises, and optimizing customs clearance methods, so as to enhance overall customs clearance efficiency, reduce obstacles, and accelerate the development of cross-border E-commerce industry [7]. Furthermore, to urge surrounding countries to invest more efforts into the development of foreign trade, it is also needed to organically integrate localization and standardization, so as to facilitate foreign trade. Currently, China is faced with the dilemma of uncoordinated regional development of foreign trade amid the development of foreign trade, which hinders its own development. Therefore, it is necessary to give full play to the role of surrounding countries’ E-commerce and make full use of their trade convenience to make up for our own weaknesses. Through strengthening cooperation, it is possible to develop and expand the market in surrounding countries. On the basis of the integration of standardization and localization, cross-border E-commerce companies also need to master relevant information, such as the local population, local historical conditions, etc., so as to integrate the local cultural environment, and to increase the success rate of foreign trade by appropriate marketing means, thereby accelerating the transformation and upgrading process of China’s foreign trade. As foreign trade activities are easily subject to the restrictions of local culture of some regions, it is necessary to actively perfect these activities, carry out communications and eliminate obstacles, in order to enhance the efficiency of expanding foreign trade market [8].

To effectively develop the regions with common characteristics, it is necessary to focus more on standardization, based on which we not only can reduce conflicts and save development costs to a great extent, but also can successfully implement the localization business strategy and promote the adaptability of cross-border E-commerce, which can further expand the market of surrounding countries. In the new era, to remain invincible, we should actively
participate in international cooperation and expand development space, so as to realize the sustainable development of the trade market.

3.4. Building an elite team
With increasingly fierce competition, all competition comes down to talent competition. With the rapid development of cross-border E-commerce, there are higher and higher requirements for foreign trade talents. To ensure the volume and quality of trade business of cross-border E-commerce companies, high-quality talents are required as support, which is also an important basis for the long-term development. Therefore, for the sake of better talent cultivation, corresponding talent cultivation strategies should be formulated in line with the requirements of the times. The government should attach importance to the cultivation of cross-border E-commerce business talents, and the construction of training bases to train compound talents, so as to make full use of talents in the development of foreign trade and accelerate the transformation and upgrading [9].

3.5. Giving full play to the advantages of big data
The rise and development of cross-border E-commerce is inseparable from the application of Internet technology, and begins to show the trend of by big data at the same time. Therefore, in order to maximize the role of cross-border E-commerce, we should take advantage of big data to effectively collect and process data, promote the long-term development of cross-border E-commerce, thereby injecting new vitality and vigor into China's foreign trade. With the help of big data, we can collect valuable information from massive information, and master consumers' behavior based on data analysis, which can provide important basis for trade activities, and help to realize accurate targeted service. The design of products according to consumers' needs is conducive to comprehensively optimizing the service quality of foreign trade enterprises, promoting consumers' loyalty and optimizing their experience. The introduction of big data technology has improved the original development environment, brought huge influences on service-oriented companies, and driven them to innovate and perfect their service mode, therefore, it is of great significance in the process of enhancing the level of the overall service industry. In particular, in addition to renewing their own service concept, the service industry will also provide consumers with better services, which is helpful to optimizing the structure of China's foreign trade and accelerating its successful transformation and upgrading.

3.6. Making plans on industry development
The first is to make guided development planning. In order to give full play to cross-border E-commerce, and propel the transformation and upgrading of China's foreign trade, it is necessary to make and perfect guided development planning according to the development status of the industry, with emphasis laid on how to guide those companies with certain strengths so that they can keep pace with the times, take the initiative to engage in cross-border E-commerce trade, realize the importance of cross-border E-commerce, and make rational use of it to vigorously develop foreign trade [10]. In the transformation and upgrading of foreign trade, it is necessary to attach more importance to the development of overseas markets, promote the quality of customs services, eliminate the limitations existing in traditional trade, and expand the scope of trade. In addition, the logistics related to cross-border E-commerce is required to be networked with the settlement of foreign exchange at electronic ports so as to improve the trading environment.

The second is to make feasible development planning for cross-border E-commerce industry. In the actual development of cross-border E-commerce, relevant industry standards should be adopted to standardize the market trading order, aiming to prevent disordered competition. If necessary, it is also essential to establish a market supervision system to restrain relevant
subjects so as to avoid the emergence of adverse situations that will hinder the development of foreign trade.

4. Conclusion

All in all, cross-border E-commerce plays an irreplaceable role in the development of China's foreign trade. In the past five years, the scale of cross-border E-commerce transactions in China has grown at an amazing speed and is expected to reach 16 trillion yuan this year. This paper introduced the types of cross-border E-commerce, analyzed the influences of cross-border E-commerce on traditional foreign trade, and explored the strategies for the transformation and upgrading of foreign trade, such as giving full play to the advantages of big data, shaping a business platform of good credit and image, strengthening multi-cooperation to expand overseas market, building an elite team, making plans on industry development, innovating operation models, accelerating transformation and upgrading, etc., expecting to facilitate China's foreign trade to reach a new level and achieve innovative development.

References


