

# ***Challenges and Countermeasures for China's Cross-Border E-Commerce in International Market Competition under the "Belt and Road" Initiative***

**Jingxian Gong<sup>1,a,\*</sup>**

<sup>1</sup>*Institute of International Business, Fort Hays State University, 600 Park Street Hays, Kansas City, America*

*a. gix2003426@163.com*

*\*corresponding author*

**Abstract:** Under the "Belt and Road" initiative, China's cross-border e-commerce faces several challenges in international market competition, including difficulties in brand development, issues in logistics and supply chain management, risks and problems related to cross-border payment services, and localization and compliance issues. To address these challenges, China's cross-border e-commerce can implement the following countermeasures: First, deepen brand development by enhancing cultural recognition and emotional connections. Second, optimize logistics and supply chain management to reduce logistics costs and improve efficiency. Third, innovate payment settlement methods to enhance transaction convenience, strengthen regulatory cooperation with relevant countries, jointly establish cross-border e-commerce payment standards, and improve transaction security. Finally, understand local markets in depth, form localized teams, learn about overseas regulations, and establish a sound compliance management system to effectively address compliance challenges and achieve sustainable development. Through these measures, China's cross-border e-commerce can better seize market opportunities and enhance international competitiveness under the "Belt and Road" initiative.

**Keywords:** Belt and Road, Cross-Border E-Commerce, International Market Competition.

## **1. Introduction**

With the deepening of globalization, the internet has become an increasingly popular choice for foreign trade enterprises, giving rise to cross-border e-commerce. Leveraging advantages such as online transactions, contactless delivery, and shorter transaction chains, cross-border e-commerce has attracted consumers and producers worldwide. The concept of "buying globally, selling globally" has become a "new trend" in global trade and is gradually emerging as a new driving force for world economic growth. In this context, China has proposed the "Belt and Road" initiative to offer policy incentives for trade exchanges, boost trade among countries and regions along the route, and focus on the development of China's cross-border e-commerce. In recent years, China's cross-border e-commerce has shown vigorous growth, and with the increasing penetration of the global e-commerce market, it is expected to continue its rapid growth trajectory.

However, as cross-border e-commerce enters a new development stage, international market competition has intensified, and various issues and challenges have gradually emerged, presenting new obstacles to the development of China's cross-border e-commerce. For example, despite the Chinese government's increasing support for the cross-border e-commerce industry, international trade frictions and policy changes remain potential uncertainties, posing trade barrier challenges to China. Additionally, some regions have underdeveloped logistics infrastructure, leading to increased delivery times and risks. There are also regulatory and policy constraints, as well as challenges related to payment and settlement. Therefore, this paper aims to study the problems and difficulties faced by China's cross-border e-commerce in international market competition and propose targeted policy recommendations to improve the development quality of China's cross-border e-commerce.

## **2. Development Status of China's Cross-Border E-Commerce in International Market Competition**

### **2.1. Characteristics and Position of China's Cross-Border E-Commerce Development**

In recent years, China's cross-border e-commerce industry has shown overall positive development. According to the "2023 China Online Retail Market Development Report" released by the Ministry of Commerce's E-Commerce and Informatization Department, in 2023, the import and export volume of China's cross-border e-commerce (including B2B) reached 2.11 trillion yuan, a year-on-year increase of 9.8%. Among this, exports amounted to 1.55 trillion yuan, a year-on-year increase of 11.7%, and imports were 0.56 trillion yuan, a year-on-year increase of 4.9%. The cross-border e-commerce sector has experienced significant growth over the past few years. According to a report by Zhongyan Puhua Industry Research, the global cross-border e-commerce market is expected to reach 2.1 trillion USD by 2024, with a compound annual growth rate of 15%. As a major player in cross-border e-commerce, China's import and export scale has grown nearly tenfold over the past five years, with exports increasing more than 27 times, injecting new momentum into China's export growth. Chinese cross-border e-commerce enterprises maintain competitiveness not only in traditional markets like Europe and the United States but also experience rapid growth in countries along the "Belt and Road" and emerging markets such as Southeast Asia and Latin America. The scale of China's cross-border e-commerce development is expanding globally, with transaction volumes continuously increasing. With the rapid development of cross-border e-commerce, particularly Chinese cross-border e-commerce, it has become one of the significant driving forces in global trade. The influence of China's cross-border e-commerce in international market competition is considerable.

### **2.2. Analysis of China's International Advantages in Cross-Border E-Commerce under the "Belt and Road" Initiative**

From policy support to the construction of China's cross-border e-commerce comprehensive pilot zones (hereinafter referred to as "cross-border e-commerce pilot zones"), China has continuously increased its support for cross-border e-commerce. Many localities have introduced relevant policies and accelerated the development of cross-border e-commerce pilot zones. China promotes the healthy development of the industry through policies such as establishing cross-border e-commerce pilot zones, offering tax incentives, and simplifying customs procedures. [1]Cross-border e-commerce cooperation between China and countries along the "Belt and Road" has been continuously strengthened, promoting the expansion of emerging markets. The implementation of the "Belt and Road" initiative has facilitated trade liberalization, unified rules, and the gradual realization of zero tariffs, which presents opportunities for cross-border e-commerce enterprises in member countries. While China makes full use of the preferential measures under the "Belt and Road" policy, it is

necessary for enterprises to enhance product export competitiveness through optimizing procurement, reducing logistics costs, ensuring product quality, expanding product applications, innovating designs, and providing high-quality after-sales services. These measures also help China better adapt to market changes and consumer demands, further improving competitiveness in markets such as Southeast Asia. [2]With the development of cross-border e-commerce, Chinese brands are accelerating their international expansion. Through multi-platform operations, China's cross-border e-commerce has enhanced its competitiveness. The position of China's cross-border e-commerce in the international market is crucial, with its large market scale and significant competitiveness demonstrated through policy support and strengthened international cooperation.

### **3. Challenges Faced by China's Cross-Border E-Commerce in International Market Competition under the "Belt and Road" Initiative**

Although China's cross-border e-commerce has many competitive advantages in the international market under the "Belt and Road" initiative, it still faces numerous difficulties and challenges due to the intense and complex nature of international market competition. The specific analyses are as follows:

#### **3.1. Difficulties in Brand Development**

Firstly, Chinese cross-border e-commerce faces the challenge of cultural distance. Building an emotional connection between consumers and products is a crucial aspect of brand development. The cultural background of consumers often differs significantly from that of cross-border e-commerce enterprises, leading to discrepancies in emotional resonance in product design and storytelling. Although China has a long history and is gradually reaching out to the world through the development of the digital economy, its understanding of foreign cultures is still limited, and it has not yet produced products that are highly recognized by foreign consumers. There is a need for continuous innovation and deeper understanding of foreign cultures. [3]Secondly, Chinese cross-border e-commerce brands often focus more on product-level marketing effects while neglecting the creation of brand values. This misalignment with foreign consumers' expectations of brand value makes building a strong brand image more challenging. Lastly, in the Chinese cross-border e-commerce market, small and medium-sized sellers dominate, most of whom are primarily concerned with survival rather than investing more time and resources in research, design, and brand promotion. These sellers generally face issues of inadequate funding and experience, leading to difficulties in brand development.[4]

#### **3.2. Issues in Logistics and Supply Chain Management**

Firstly, logistics costs pose a significant problem for China's cross-border e-commerce. Currently, many cross-border e-commerce businesses face very high logistics costs, with international shipping costs for some goods even exceeding their selling price. Logistics has become a major obstacle to the rapid development of cross-border e-commerce enterprises. Additionally, cross-border transportation costs are high due to long-distance shipping, tariffs, taxes, and various additional fees, all of which increase transportation costs. Secondly, customs and declaration issues are complex. Customs and declaration procedures vary by country and region and can be intricate and cumbersome. Incorrect declarations or non-compliance with regulations may lead to goods being held or detained, affecting delivery times. Thirdly, there are complexities in logistics and supply chain management. With multiple logistics stages and participants involved, tracking and managing the position and status of goods in the supply chain becomes complex. Supply chain complexity also affects inventory management, which is crucial for cross-border e-commerce. Low inventory levels may lead to stockouts, while high inventory levels may tie up capital. Inventory management also needs to

account for supply chain elements such as production cycles and transportation times, making inventory management quite complex.[5]

### 3.3. Risks in Cross-Border Payment Services

Firstly, the cross-border payment settlement process in China is lengthy, and the fund repatriation cycle is long. The extended logistics cycle in cross-border e-commerce leads to a corresponding lengthening of the repayment cycle, which poses a challenge for the e-commerce industry that requires high capital turnover rates. Secondly, there are risks related to big data and user privacy in cross-border payments. As third-party payment platforms accumulate user information and transaction data, there is a risk of mismanagement of information services when utilizing big data for basic financial services. This situation exposes platforms to malicious attacks from domestic and foreign hackers, information theft, and potential financial fraud. Additionally, inadequate data regulation can easily lead to user privacy breaches, where consumer personal information and temporary funds are not effectively protected. Lastly, high cross-border payment settlement fees are another challenge for China's cross-border e-commerce. In the operation of independent cross-border e-commerce sites, payment costs include not only fee rates and payment channel setup fees but also hidden costs, such as foreign exchange losses, which need careful consideration and calculation. For small and medium-sized foreign trade enterprises, traditional telegraphic transfers involve multiple intermediary banks, increasing remittance costs and often causing delays in cross-border payments.

### 3.4. Challenges in Localization and Compliance

Chinese cross-border sellers are closely following the new trends of international expansion, aiming for ultra-localization and compliance while advancing towards global branding. This requires enterprises to not only adapt to different national market environments and consumer needs but also comply with local laws, regulations, and business customs. On one hand, localization is one of the key factors for the success of cross-border e-commerce, but Chinese cross-border e-commerce often exhibits weaknesses in localization and after-sales service. Differences in language and culture between buyers and sellers can lead to discrepancies between the actual product and consumer expectations, resulting in return risks. The process of returning and exchanging goods in cross-border e-commerce is complicated and time-consuming. Moreover, most cross-border e-commerce businesses do not have commercial entities in the target countries, making it challenging to provide timely and effective after-sales service when returns occur, which negatively impacts consumer shopping experience. Especially in Southeast Asia, where many small languages are spoken and communication barriers are significant, customers' shopping experience can be poor. The geographical dispersion, economic disparities, living habits, and religious beliefs of ASEAN countries make local consumers prefer domestic e-commerce platforms. This preference for local platforms increases the operational difficulty for Chinese cross-border e-commerce and makes it challenging for small and medium-sized enterprises to achieve cooperation through mergers, acquisitions, or investments and gain recognition from consumers in other countries. [6]On the other hand, compliance is an inevitable requirement for cross-border e-commerce enterprises to address international challenges. With the strengthening of global data enforcement, the risk of data breaches cannot be ignored. Enterprises need to clarify data protection responsibilities and enhance cybersecurity and data protection. Additionally, cross-border e-commerce involves long processes with many stages, and it must comply with foreign laws and regulations covering taxation, product standards, intellectual property, marketing, data, and privacy protection. [7]Cross-border e-commerce enterprises should pay attention to compliance matters in at least seven key areas: intellectual property,

data security, personal information protection, consumer rights protection, advertising and marketing, import-export trade, and taxation.

#### **4. Strategies for China's Cross-Border E-Commerce to Address International Market Competition under the "Belt and Road" Initiative**

##### **4.1. Deepening Brand Development**

To address the challenges in brand development, China's cross-border e-commerce needs to adopt multiple approaches. First, for cross-border e-commerce enterprises to develop their brands, setting up overseas warehouses is a necessary step. Cross-border enterprises can collaborate with foreign companies through mergers, acquisitions, or alliances to establish a global distribution system, leverage each other's strengths, and operate jointly, thereby increasing the acceptance of cross-border e-commerce in foreign markets and among consumers. At the same time, utilizing 5G and big data to gain further insights into customers' shopping habits, interests, and purchase intentions can enable targeted advertising and marketing, achieving personalized services. Second, it is important to clarify the brand's concept, image, and positioning by telling a compelling brand story to build an emotional connection with consumers. The brand story should highlight the founder's story, values, and mission to attract and retain customers. Understanding cultural differences in target markets and ensuring that brand and marketing strategies align with local cultures is crucial. Employing a multi-channel strategy, including social media, email marketing, search engine optimization (SEO), search engine marketing (SEM), and partnerships, can help promote the brand. Third, establishing an after-sales service system and a dispute resolution mechanism is essential. Utilizing overseas warehouses can facilitate returns and exchanges for international consumers. For instance, Amazon's overseas warehouse model includes return and exchange services managed by Amazon's customer service, reducing the seller's labor costs. Thus, Chinese cross-border platform enterprises should learn from Amazon's model, with leading cross-border platform enterprises spearheading efforts to explore the establishment of overseas rights protection service centers in public overseas warehouses where conditions permit. This includes setting standards and service systems for overseas rights protection and improving the processes and mechanisms for handling cross-border e-commerce disputes.

##### **4.2. Optimizing Logistics and Supply Chain Management**

The starting and ending point of logistics costs is to serve the real economy and the public, with the basic premise being to maintain a stable proportion of manufacturing. The main approach is through structural adjustments and promoting reforms. Through comprehensive measures, China's cross-border e-commerce can enhance the responsiveness and flexibility of the supply chain, reduce costs, and boost competitiveness. First, China needs to improve customs clearance conditions and establish green channels. By setting up green channels, fast clearance can be implemented for environmentally compliant goods, reducing clearance time and costs while overseeing and controlling environmental protection. Establishing comprehensive logistics management systems and processes, standardizing operations and management procedures, and enhancing logistics personnel training and management are also crucial. Second, understanding different customs declaration modes such as 9610, 9710, 9810, 1210, and 1039, each with its own scope and characteristics, is important. For example, using the 9810 customs declaration mode to set up overseas warehouses allows goods to be transported to overseas warehouses and then shipped to international consumers according to orders, thus achieving export sales. Strengthening communication and coordination with customs, establishing good communication mechanisms, keeping abreast of customs policy changes, resolving issues encountered during customs declarations, and actively utilizing national support policies for cross-border e-commerce, such as tax incentives and simplified customs procedures, can help reduce costs.



Finally, establishing a risk management mechanism, developing reasonable inventory management strategies, and employing advanced inventory management technologies can help reduce inventory costs and improve the efficiency and accuracy of inventory management.

#### **4.3. Innovating Payment Settlement Methods**

By innovating payment settlement methods and implementing relevant comprehensive measures, China's cross-border e-commerce can effectively manage and reduce the risks associated with cross-border payment transactions, ensuring security and efficiency. This can be approached in the following ways: On one hand, China should optimize supply chain management by improving supply chain efficiency, reducing inventory and logistics time, and enhancing accounts receivable management. Enterprises can establish stringent credit policies, follow up on accounts receivable in a timely manner, and reduce capital occupancy. On the other hand, China can actively promote the "blockchain + cross-border payment" model. Blockchain technology enables real-time or near-real-time cross-border payments, accelerating fund flow efficiency. All transaction records on the blockchain are publicly accessible, enhancing transaction transparency and traceability, which aids in regulation and compliance. Web3 technology, emphasizing decentralization, user sovereignty, and openness, can offer more financial tools and services for micro cross-border payments, while encryption technology provides advanced identity verification and data security protection. To address the issue of high cross-border payment settlement fees, some payment institutions and government departments are taking measures. For example, after completing cross-border RMB payment business filing in Guangxi, Zhongtong Payment plans to actively expand cross-border e-commerce payment services to ASEAN and develop a comprehensive cross-border e-commerce industry. Finally, in the field of financial derivatives, cross-border payment institutions can leverage their financial expertise to provide clients with consultation services on foreign exchange policies, exchange rate trends, and macroeconomic conditions, offering risk management tools such as exchange rate management strategies and full-chain value-added services for financing, store opening, and overseas marketing.[8]

#### **4.4. Establishing and Improving Compliance Management Systems**

China's cross-border e-commerce should implement localization strategies and overcome compliance challenges in international market competition. First, it is crucial to understand the characteristics of the local market. Before entering a new market, gaining insight into local culture, consumer behavior, and competitors is essential. This helps enterprises adjust products and services to meet local consumer needs and shopping habits. Second, marketing strategies should be tailored to local market characteristics, including advertising, promotional activities, and social media campaigns, using marketing methods that align with local culture and customs to attract consumers. China should actively form localized teams, as the overall operating environment in Southeast Asia differs significantly from domestic conditions. Local employees are better acquainted with the local market than foreign staff, helping to avoid friction, advance business more swiftly, and ensure team stability and effective problem-solving. Additionally, Chinese enterprises need to understand the legal regulations of overseas markets, learn platform operation rules, enhance legal awareness, and strengthen internal compliance systems. In particular, data protection needs to be clearly defined, and network security and data protection must be reinforced to prevent data breaches. Next, based on relevant standards such as the "Compliance Management System Requirements and Usage Guidelines GB/T35770-2022," the PDCA (Plan-Do-Check-Act) approach should be adopted to integrate cross-border e-commerce compliance capabilities into the overall compliance management system of the enterprise, focusing on leadership, planning, and support. Finally, continuous attention

should be paid to the development of cross-border e-commerce regulations in both domestic and relevant international jurisdictions, with timely analysis and responses to ensure that the enterprise's operations always meet the latest compliance requirements. Through these strategies, cross-border e-commerce enterprises can not only better integrate into the local market, enhance user experience and market share, but also address compliance challenges and achieve sustainable development.

## 5. Conclusion

Under the impetus of the "Belt and Road" initiative, China's cross-border e-commerce industry has encountered unprecedented development opportunities, while also facing a series of challenges. This paper has analyzed the challenges in areas such as brand building, logistics, cross-border payments, and compliance that China's cross-border e-commerce faces in the international market, and has proposed corresponding strategies to address these issues. In the context of a globalized market environment, China's cross-border e-commerce is continuously enhancing its core competitiveness, strengthening international cooperation, advancing brand development, optimizing logistics and supply chain management, innovating payment settlement methods, and establishing sound compliance management systems. In today's rapidly evolving internet era, China can also actively embrace technological innovation, seize new breakthroughs under an open economic system, continuously progress with the times, foster innovation, cultivate new professional talents, and build a robust financial support system. Through these measures, it is possible not only to effectively address current challenges but also to secure a favorable position in the future international market, enhance China's market competitiveness, promote the sustainable development of China's cross-border e-commerce industry, and contribute to the prosperity of global trade with Chinese strength.

## References

- [1] Yang, J. (2024, May 10). *Cross-border e-commerce accelerates*. *People's Daily Overseas Edition*, 008.
- [2] Yu, C. (2024). *Competitiveness analysis of Jiangsu's cross-border e-commerce export products based on RCEP*. *Modern Commerce & Industry*, 45(10), 31-33.
- [3] Xu, H. (2021). *The brand development of cross-border e-commerce under the "Belt and Road" initiative: Opportunities, challenges, and breakthroughs*. *Business Economics*, (07), 85-88.
- [4] Hong, Y., & Li, Y. (2022). *New trends, problems, and countermeasures in the development of China's cross-border e-commerce*. *China Foreign Trade*, (10), 32-35.
- [5] Zhang, Y. (2023). *An analysis of logistics and supply chain management in cross-border e-commerce*. *China Maritime Weekly*, (29), 43-45.
- [6] Lin, Z. (2022). *Issues and countermeasures for China's cross-border e-commerce export to ASEAN under RCEP*. *Logistics Technology*, 45(10).
- [7] Zhu, M. (2021). *Opportunities, challenges, and suggestions for the compliance development of cross-border e-commerce in Zhejiang*. *National Circulation Economy*, (34), 23-25.
- [8] Lin, Y. (2024). *Challenges and countermeasures for China's cross-border e-commerce under the digital economy*. *China Business Review*, (03), 58-61.