

The Development Trend of Cross-border E-commerce in China's International Trade

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Abstract: With the rapid development of the cross-border electronic international economic and trade industry, cross-border business activities have become an important part of international economic and trade. Since the birth of the cross-border e-commerce model, the transaction volume has increased year by year, with an increase of more than 20%, which has become a major component of China's foreign trade economy. Provides significant pull. However, although cross-border e-commerce has advantages in the development of international economic and trade, its development is not ideal and faces challenges such as high logistics costs, trade barriers, imperfect credit systems, intensified market competition, and lagging laws and regulations. This article proposes that cross-border e-commerce policies will continue to be optimized, industrial chain integration will be accelerated, service innovation will meet the diverse needs of consumers, and deep integration with the real economy will help China's economic transformation and upgrading, the pace of internationalization will be accelerated, and talent cultivation will become the key, to adapt to the new needs of cross-border e-commerce development. Driven by policy support, market drive and industrial upgrading, China's cross-border e-commerce is expected to overcome challenges and achieve high-quality development.

Keywords: Cross-border e-commerce, international trade, business model

1. Introduction

Transaction entities from various nations or regions use e-commerce platforms to conduct electronic payment settlement, distribute items, and finish transactions. This type of international commercial activity is known as cross-border e-commerce. Cross-border e-commerce occurs, for instance, when Chinese customers buy goods from American sellers on Amazon and have them sent via international logistics. Cross-border e-commerce can boost foreign exchange earnings, lower expenses, improve brand recognition, and open up new markets for business merchants. First of all, it allows businesses to sell to international markets, circumventing geographical limitations and giving them access to a greater number of potential clients and sales prospects. Second, it lowers business running expenses, enhances product price competitiveness, and gets rid of middlemen and conventional distribution routes. Thirdly, retailers may advertise their brands globally, draw in more customers, and build a positive brand image by using cross-border e-commerce platforms. It also boosts the merchant's foreign exchange earnings and improves the company's financial stability and profitability.

Cross-border e-commerce offers customers a wider range of goods, more affordable costs, and quality assurance. Through cross-border e-commerce platforms, consumers may purchase goods from around the globe, giving them access to a greater variety of options. Because traditional routes and intermediate linkages are more expensive, they also enjoy a lower pricing. Strict merchant review and rating procedures are typically found on cross-border e-commerce platforms, guaranteeing that customers can purchase formally approved and superior products.

This paper reviews the development status and business model of cross-border e-commerce, examines the challenges faced by China's international trade in the context of cross-border e-commerce, and explores strategies for China to better seize the international trade opportunities. By identifying these trends, the paper offers valuable insights for the government, businesses, and consumers, helping to support China's economic growth, enhance its global standing, and promote the sustainable development of cross-border e-commerce.

2. The development status of cross-border e-commerce in China's international trade

2.1. The market size continues to grow

Due to the Chinese government's strong support for cross-border e-commerce platforms and the great demand from domestic customers for diverse and high-quality international products, China's cross-border e-commerce business has grown significantly in recent years. These elements are the main drivers of the market's expansion. More and more people are purchasing items on cross-border e-commerce platforms as a result of rising income levels and shifting consumer perceptions. This creates a consistent flow of consumption that supports the growth of the market. China's overall cross-border e-commerce import and export volume in 2023 was 2.38 trillion yuan, according to figures from the General Administration of Customs. This represents a 15.6% year-over-year rise and a roughly 50-fold expansion over 2016. With a 3.9% increase, the overall export value reached 548.3 billion yuan. Notably, 5.7% of China's overall import and export trade currently consists of cross-border e-commerce transactions. 5.7% of China's total import and export transactions are made through cross-border e-commerce, and the number of cross-border e-commerce organizations is still growing [1].

2.2. Diversification of business models

2.2.1. Breakdown by Type of Interaction

Cross-border e-commerce business models can be categorized into three primary types: B2B, B2C, and C2C. B2B model: Businesses engage in transactions through online platforms, typically characterized by large transaction scale and long cycle, and requirement for establishing long-term cooperative relations. For example, manufacturers in China use cross-border e-commerce platforms to transact with foreign wholesalers or retailers to sell their products in bulk to overseas markets.

B2C model: Businesses sell products or services directly to consumers. Enterprises establish online stores on cross-border e-commerce platforms to display product information and attract consumers to buy. This model has a relatively smaller transaction scale and shorter cycle, with a focus on user experience and after-sales service. For example, some domestic brand have set up stores on Amazon, Ali Express and other platforms to sell products to foreign consumers.

C2C model: Consumers transact with each other through an internet platform. Cross-border e-commerce platforms provide consumers with a trading place where they can post product information and find buyers or sellers. This model is flexible and has a low entry threshold but requires careful attention to platform security and credibility.

2.2.2. Divided by business entities

Cross-border e-commerce enterprises can be divided into three types based on their operational models: platform-based, self-operated, and hybrid (platform + self-operated).

Platform-based: These businesses rely on third-party platforms to conduct transactions. Examples include export-focused B2B platforms like Alibaba International Station and Made-in-China.com, as well as cross-border e-commerce retail platforms such as Ali Express and Amazon.

Self-operated: These businesses manage their own platforms, directly controlling the end-to-end processes of product sales and distribution.

Hybrid: This model combines platform-based and self-operated approaches, leveraging the strengths of both. Examples of retail (import) platforms using this model include T mall Global and JD Worldwide.

According to the preliminary statistics of the relevant departments of the Ministry of Commerce, there has been 645,000 enterprises with actual import and export performance in 2023, of which the number of cross-border e-commerce enterprises will be more than 100,000. In the past decade, the number of related enterprise registrations has shown a continuous positive growth trend. [1] As of July 2024, the number of newly registered enterprises has reached 4,461, a year-on-year increase of 35.39%. The increasing number of cross-border e-commerce enterprises reflects the activity and attractiveness of the industry.

3. Challenges faced by cross-border e-commerce in China's international trade

3.1. Policy challenges

Cross-border e-commerce policies and regulations in different countries are constantly changing, and regulatory requirements are becoming increasingly stringent. Many countries have strengthened the supervision of cross-border e-commerce in terms of taxation, product quality, and data security, requiring enterprises to constantly adapt to new policy requirements. Failure to comply can lead to consequences such as fines, product removal, or even account bans. Moreover, the variation in regulations across countries complicates international market expansion. Enterprises must dedicate substantial time and resources to understanding and adhering to the diverse policy frameworks in their target markets.

3.2. Logistical challenges

3.2.1. High logistics costs

Cross-border logistics involves transportation, warehousing, customs clearance and other links in many countries and regions, with complex processes and high costs. For example, international transportation costs, warehousing costs, and customs clearance costs significantly increase the total cost of goods and reduce the price competitiveness of China's cross-border e-commerce goods. In addition, fluctuations in logistics costs also affect the profitability and operational stability of enterprises.

3.2.2. Poor logistics timeliness

The extended distances and complex processes involved in cross-border logistics make it prone to delays caused by factors such as traffic congestion, weather changes, and customs inspection. These delays often compromise the timeliness of deliveries, which is becoming increasingly critical as consumer expectations for fast shipping continue to rise.

When goods fail to reach customers promptly, it diminishes the shopping experience, leading to reduced customer satisfaction and a potential decline in brand loyalty. Addressing these logistical inefficiencies is imperative for the sustainable growth of cross-border e-commerce.

3.3. Technology & Talent Challenges

3.3.1. Lack of technological innovation

The vigorous development of cross-border e-commerce relies heavily on the support of advanced technologies, including the construction of e-commerce platforms, big data analysis, artificial intelligence, blockchain and other key technologies. These technologies have greatly improved transaction efficiency and service level. However, although China's cross-border e-commerce companies have made significant progress in technology application, there is still a certain gap between technological innovation and the international advanced level. The lack of core technology and independent intellectual property rights has limited the long-term prospects of the company to a certain extent. development, this requires China's cross-border e-commerce companies to increase investment in research and development and enhance independent innovation capabilities to narrow the gap with the international advanced level and achieve higher quality development.

3.3.2. Shortage of Skilled Workers

Cross-border e-commerce requires compound talents who understand not only international trade, e-commerce but also foreign languages, laws, marketing and other knowledge. Currently, the shortage of professionals with such comprehensive skills poses a significant challenge to China's cross-border e-commerce sector. Enterprises encounter difficulties in recruiting, training, and retaining talent, which hinders their capabilities in innovation, operational management, and market expansion.

To address this issue, colleges and universities should increase the training of e-commerce talents. Simultaneously, all relevant departments should also continue to improve the training system for e-commerce talents. By integrating network technology with practical business applications, a better balance between talent supply and demand can be achieved [2].

3.4. Exchange rate and financial risk challenges

3.4.1. Exchange rate fluctuation risk

Cross-border e-commerce transactions involve currencies of different countries, and exchange rate fluctuations can affect the revenue and profits of enterprises. For instance, an appreciation of the renminbi reduces the price competitiveness of Chinese cross-border e-commerce exports, while a depreciation of the renminbi increases import costs for enterprises. To mitigate these risks, enterprises need to take effective exchange rate risk management measures, such as the use of foreign exchange derivatives and reasonable pricing to reduce the impact of exchange rate fluctuations on enterprises.

3.4.2. Financial payment risk

As cross-border e-commerce continues to grow as an irreversible trend, cross-border payments have become a vital part of the equation and have a profound impact on the entire industry chain. [3] Cross-border payment involves the financial systems and payment methods of different countries, and is faces some problems such as payment security, high payment fees, and long fund settlement cycles. In addition, some criminals may take advantage of the loopholes of cross-border payment to carry out illegal activities such as fraud and money laundering, causing financial losses to businesses and

consumers. To address these challenges, enterprises need to choose safe and reliable payment methods to strengthen the prevention and management of payment risks.

4. The development trends of cross-border e-commerce in China's international trade

4.1. Continued Expansion of Market Opening

China is speeding up the construction of a new open economic system, continuing to strengthen economic cooperation with neighboring countries and regions, promoting the Belt and Road Initiative, enhancing trade with countries along the Belt and Road, and actively expanding opening up. By lowering trade barriers, improving trade facilitation, attracting foreign investment, and encouraging deeper trade cooperation, China is striving to cultivate a more open and competitive market environment that supports sustainable growth in cross-border e-commerce[4].

4.2. Technological Innovation Driving Growth

4.2.1. Intelligent applications

The application of cutting-edge technologies such as artificial intelligence, big data, cloud computing and blockchain in the field of cross-border e-commerce is significantly transforming cross-border e-commerce. For example, AI technology is used to optimize logistics and distribution algorithms, generate product descriptions and advertising graphics, while big data analytics enables the delivery of personalized recommendations based on consumer behavior. Cloud computing and Internet of Things technologies can realize the informatization and intelligent management of cross-border e-commerce. The application of these technologies collectively improve operational efficiency, reduce costs, and enhance user trust.

4.2.2. Technology Assistance

The rise of the digital economy and the increasing reliance on data-driven strategies are reshaping industry dynamics. The adoption of data-based thinking and the application of data analysis methods are playing an increasingly pivotal role in the competition. [5] Furthermore, the popularization of 5G technology will bring a smoother online shopping experience to cross-border e-commerce, and support more interactive shopping functions, such as virtual reality (VR)/augmented reality (AR) shopping, to improve consumers' shopping experience.

4.2.3. Cross-border e-commerce live streaming and social e-commerce development

The live-streaming e-commerce and social e-commerce models are constantly growing in cross-border e-commerce. Through live streaming and social platforms, companies can display their products more intuitively, interact with consumers, and increase consumers' willingness to buy. Moreover, the sharing and recommendation mechanism of social e-commerce can also help enterprises quickly expand their brand influence and market share.

4.3. Branding and quality development

4.3.1. Brand building strengthened

Enterprises are paying more attention to brand building and improve the added value and competitiveness of products. By building their own brands and enhancing their brand image and popularity, enterprises can obtain higher profit margins and a more stable market share in the international market. For example, some Chinese cross-border e-commerce brands have already

gained significant traction in overseas markets, paving the way for more companies to replicate their success in the future.

4.3.2. Enhanced Product Quality

As consumer expectations for the quality of cross-border goods continue to rise, enterprises are intensifying efforts to ensure product quality and provide better goods and services. Concurrently, the government will also strengthen the supervision of cross-border e-commerce products to promote the healthy development of the industry.

4.4. Constantly Improving System

4.4.1. Logistics

Chinese companies are accelerating the construction of overseas service networks. Currently, there are more than 1,800 cross-border e-commerce overseas warehouses spread around the world, with a total area exceeding 22 million square meters. The establishment of these overseas warehouses not only improves the efficiency of logistics distribution, but also enhances the international competitiveness of enterprises. At the same time, the continuous innovation and development of efficient logistics models such as sea-rail combined transportation have significantly shortened the time of cargo transportation, effectively reduced logistics costs, and improved the timeliness of goods being shipped overseas.

4.4.2. Payment

The efficiency of cross-border payment has been continuously improved, and the payment methods have become more diversified and convenient, providing a guarantee for cross-border e-commerce transactions. In addition, state policies are fostering improvements in payment systems. Cross-border e-commerce enterprises and individuals are allowed to open foreign exchange settlement accounts, and they do not occupy the individual's annual quota for facilitating foreign exchange settlement and sales. Support payment institutions innovate cross-border payments on the basis of compliance, expand the scope and amount of cross-border foreign exchange payment business, and support the use of order payment information and logistics information as the basis for banks to handle foreign exchange settlement and sales business in the context of ensuring the authenticity of cross-border transactions.[6]

4.4.3. Service

Marketing innovations, including live e-commerce, social e-commerce, and independent stations and other modes are developing rapidly, gaining traction as important channels for Chinese brands to go overseas. Additionally, a large number of high-quality cross-border e-commerce service providers have emerged, providing a full range of services for enterprises.

4.4.4. Strengthened Policy Support

The government attaches great importance to the development of cross-border e-commerce and has introduced a series of support policies, including tax incentives, financial support, and overseas warehouse construction, to promote the healthy development of cross-border e-commerce. In particular, the review and approval of the "Opinions on Expanding Cross-border E-commerce Exports and Promoting Overseas Warehouse Construction" provides a solid policy guarantee for the further expansion of cross-border e-commerce. At the same time, various cross-border e-commerce

comprehensive pilot zones have also taken active actions and held various forms of matchmaking meetings, forums, salons, training and other activities. These activities not only built a bridge for communication and cooperation for enterprises, but also provided a platform for learning and improvement for enterprises, further stimulating the innovation vitality and market competitiveness of cross-border e-commerce enterprises.

5. Conclusion

The future development of cross-border e-commerce presents a series of encouraging trends. Not only do traditional mature markets such as North America and Europe continue to play their role in stabilizing market demand, but the potential of emerging markets such as the Middle East, Africa, and Southeast Asia is being continuously released, becoming a new driving force for the growth of cross-border e-commerce. Looking ahead, it is expected that governments will continue to introduce a series of support policies, such as tax incentives, customs facilitation, and financial support. These policy measures will create a more favorable development environment for cross-border e-commerce, thereby promoting the sustained and rapid development of cross-border e-commerce on a global scale.

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