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SOSYAL BİLİMLER ENSTİTÜSÜ
ULUSLARARASI TİCARET VE PARA YÖNETİMİ BİLİM DALI

THE ANALYSIS OF CHINA CROSS-BORDER E-COMMERCE

Yüksek Lisans Tezi

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TEZ ONAY BELGESİ

İKTİSAT Anabilim Dalı ULUSLARARASI TİCARET VE PARA YÖNETİMİ Bilim Dalı TEZLİ YÜKSEK LİSANS öğrencisi YAYUN SA'nın ÇİN'İN SINIR ÖTESİ E-TİCARETİNİN DEĞERLENDİRİLMESİ adlı tez çalışması, Enstitümüz Yönetim Kurulunun 29.08.2019 tarih ve 2019-28/11 sayılı kararıyla oluşturulan jüri tarafından oy birliği / ~~oy çokluğu~~ ile Yüksek Lisans Tezi olarak kabul edilmiştir.

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ABSTRACT

Rapid development of information and communication technology has made great changes in the life of human society and this has stimulated a new e-commerce model in the commercial field. In today's life, an increasing number of people coming from different countries and speaking in different languages with different cultures are likely to purchase or sell goods on Chinese cross-border e-commerce platforms like Alibaba.com, JD.com, Lightinthebox.com, DHgate.com. Combined with the advantage of the economics of scale in the internet world and the good performance of China e-commerce market, China cross-border e-commerce is growing with over 30% growth rate. The transaction volume of China cross-border e-commerce was 9.6 trillion Chinese yuan in 2018 and is expected to reach 12 trillion Chinese yuan in 2020 which will account for 40% of China foreign trade. The speed rise of cross-border e-commerce is own to the rapid development of information network technology and global economic integration, in coincidence with the 2008 global financial crisis making some of the traditional large cross-border trade into small online transactions. Cross-border e-commerce is a new economic growth point of the internet era and has brought new opportunities and challenges for China's foreign trade. Therefore the analysis of China cross-border e-commerce will be helpful for global enterprises and other countries to understand the whole situation of China cross-border e-commerce before they want to establish trade relationship with China. Beside the analysis of China cross-border e-commerce also can benefit the study of others countries' own cross-border e-commerce's development. The aim of this paper is to give a general analysis of China cross-border e-commerce by basing on reviewing the details related to it background, product categories, business models and platforms, payment system, custom clearance and taxation reform and so on. This paper will also list the weakness, strengths, opportunities and threats of the cross-border e-commerce in China and do a general SWOT analysis. Therefore the results of this study will be recommendable for similar studies in cross-border e-commerce study area.

KEY WORDS : International trade, Cross-border E-commerce(CBEC), SWOT analysis

ÖZET

Bilgi ve iletişim teknolojisinin hızlı gelişimi, insan toplumunun yaşamında büyük değişiklikler yaptı ve ticari alanda yeni bir e-ticaret modelini teşvik etti. Bugünün hayatında, farklı ülkelerden gelen ve farklı dilleri konuşan ve farklı kültürleri olan artan sayıda insanın, Alibaba.com, Aliexpress. com JD. com, Lightinthebox gibi Çin sınır ötesi e-ticaret platformlarında mal satın alma veya satma olasılığı yüksektir. İnternet teknolojisinin avantajlarına ve Çin yerel e-ticaret pazarının hızlı gelişmesine bağlı olarak, Çin sınır ötesi e-ticaret hacmi % 30'un üzerinde bir büyüme oranı ile gelişmektedir. B2B, B2C, O2O ve C2C platformları ile Çin sınır ötesi e-ticaret işlem hacmi 2018'de 9,6 trilyon yuan olmuştur ve 2020'de Çin dış ticaretinin% 40'ını oluşturacak şekilde 12 trilyona ulaşması beklenmektedir. 2008 küresel mali kriziyle aynı zamanda, geleneksel büyük sınır ötesi ticaretin bir kısmını küçük sınır ötesi e-ticaret işlemlerine dönüştürüyor. Sınır ötesi e-ticaret, internet çağının yeni bir ekonomik büyüme noktasıdır ve Çin'in dış ticareti için yeni fırsatlar ve zorluklar getirmiştir. Bu yüzden, Çin sınır ötesi e-ticaretinin analizi, küresel şirketler ve diğer ülkelerin Çin ile ticaret ilişkisi geliştirmeden önce durumlarını anlamalarına yardımcı olacaktır. Aynı zamanda diğer ülkelerin kendi sınır ötesi e-ticaretinin gelişmesine yönelik çalışmaları içinde yararlı olabilir. Bu tezin amacı, Çin sınır ötesi e-ticaretinin genel bir analizini vermektir. Bu amaçla ürün kategorileri, işletme modelleri ve platformları, ödeme sistemi, gümrükleme ve gibi pekçok konu incelenmiştir. Ayrıca Çin sınır ötesi e- Genel bir SWOT analizi uygulayarak ticaret. Bu nedenle, bu çalışmanın sonuçları sınır ötesi e-ticaret çalışmalarına örnek oluşturacaktır.

Anahtar Sözcükler: Sınır ötesi E-Ticaretinin, SWOT Analizi, Uluslararası Ticaret

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ABBREVIATIONS

CBEC	CBEC
MNC	Multinational Corporation
MSMEs	Micro, Small and Medium-sized Enterprises
B2B	Business to Business
B2C	Business to Customers
C2C	Customers to Customers
B2B2C	Business to Business to Customers
EU	European Union
WTO	World Trade Organization
UNCTAD	United Nations Conference on Trade and Development
SOEs	State-owned Enterprises
BRICS	Brazil, Russia, India, China, South Africa
ASEAN	Association of Southeast Asian Nations
ODM	Original Design Manufacturer
OEM	Original Equipment Manufacturer

INTRODUCTION

As a new type of international trade, cross-border e-commerce(CBEC) greatly changed the transaction way in general international trade. It is the new era of rapid development of CBEC which could shorten the distance between product and market in terms of time and space and it will become the main way of promoting trade facilitation, upgrading trade development and promoting the effective implementation of national policy. By depending on modern internet technology, CBEC forms a new trade form based on internationalization, informationization, marketization, socialization, platformization which aims to integrate global consumers and producers, suppliers and intermediary into one platform to combine trade flows, information flows, marketing. This new form of international trade not only breaks through the distance of time, space and geographical barriers of traditional international trade, but also has been penetrated into the whole process of international trade and bring innovative changes to the development of international trade.

As a new growth engine to develop international trade and create new consumption demand, CBEC has revolutionized the operation way of traditional trade and consumers market in terms of selling and purchasing goods, payment and shipment, customer deceleration etc. At the same time, apart from MNC(multinational corporation), CBEC also provides more profitable economic opportunities to micro, small and medium-sized enterprises (MSMEs) in terms of wider access to overseas markets by lowering entry barriers and reducing costs. This can be proved by its performance after 2008 global financial crisis when many countries' economics went down in various degrees. While the global CBEC showed its strong vitality and its transaction volume increased from \$1. 07 trillion in 2013 to \$1. 59 trillion in 2015. At the same time, the scale of global trade in 2015 decreased by 8% year-on-year, 2. 8% in export and 14. 1% in import respectively. While that of CBEC was increased by over 30% and it is expected to go over 50% in 2019, which means it will become new growth promotion of foreign trade.

China, as one of the biggest trading entities in the world, its cross-border digital trade has achieved remarkable progress in recent years and this has attracted attention from the world. This not only because China's e-commerce now is at the stage of economic development but also because China economic environment can provide CBEC desired development condition. In 2015, the turnover of China CBEC had surged to 5.4 trillion yuan with 28.6% year-on-year growth rate. The export trade of it reached 4.49 trillion yuan by accounting for 83.2% of total trade and the import trade of it amounted to 907.2 billion yuan by accounting for 16.8% of total trade. In 2016, Chinese CBEC transaction reached 6.7 trillion yuan. In 2017, the figure surpassed 9.6 trillion yuan. The turnover of China's CBEC exceeded 10 trillion yuan at the end of 2018 by corresponding with the projected average growth rate of near 23% in the coming three years.

From the aspect of business operation model, in China CBEC, B2B transaction model accounted for 88.5% of all and B2C model contributed only 11.5%. Therefore B2B model will continue to be the mainsay of cross-border digital trade. According to relevant forecasts, by 2022, the global CBEC market (including B2B and B2C) is expected to grow at an annual rate of 17%, exceeding the overall e-commerce market development rate (12%), which also means the growth rate of local e-commerce retail market will get slower. From the aspect of global market, China is regarded as both a big consumption market and a big production market, as well as the world's largest e-commerce retail market. China's overall growth rate of e-commerce market is around 19%. Many studies showed that China CBEC will be the new engine of dominating the development of China's foreign market and change its position in global value chain by integrating China's manufacturing power, expanding overseas marketing channels etc. into China CBEC. This also promote the development of China international trade and the adjustment of China's international trade structure.

Therefore the analysis of China CBEC will be beneficial for global enterprises and other countries to understand the whole situation of China CBEC before they want to establish trade relationship with China. Beside the analysis of China CBEC also can benefit the relevant studies

in other countries. The research of this paper is divided into five chapters and analysis the development of China CBEC from macro aspect to micro aspects, from its background to its infrastructure and policy environment. Besides both export and import of China CBEC are studied at each part. After a detailed and comprehensive analysis of China CBEC, a relatively complete SWOT analysis is provided, then a general conclusion will be given. The first chapter of this study starts with the definition of CBEC and the development of CBEC in the world for the purpose of laying the theoretical foundation this paper. It will also introduce the situation about China's foreign trade development under the world economy as the introduction of background of CBEC in China. The second chapter mainly introduces the history of the emergence and development of China CBEC and its policy environment. This gives readers a basic understanding of the scale, and trading partners and trade product types of China CBEC. At the same time, through the analysis of various aspects of China's CBEC development, the analysis of the all relative policy can provide the clues about the attitude and encouragement measures adopted by the Chinese government in China CBEC and it also implies the future trend of China CBEC's development. The third chapter mainly analyzes the basic operation types and platform types of CBEC in China, as well as the operation processes involved in CBEC: payment, logistics, Customs clearance, taxation aspects. Due to the difference in export and import, each part of those five aspects is analyzed from this two aspect. At the same time, the comparison of the different models or platforms are provided in each part. The fourth chapter applied the SWOT analysis method of the enterprise to analyze the strengths, weaknesses of China CBEC from its internal side and its opportunities and threats from its outside environment. Then based on above analysis, a general conclusion is drawn. At the same time, lightinthebox.com and Alibaba.com were used as examples to conduct SWOT analysis of different types of CBEC platforms. Based on the general conclusions drawn, some predictions are made about the future development of CBEC in China. The fifth chapter is the conclusion chapter. Based on the above analysis, a comprehensive conclusion is drawn, and general recommendations are given for the development of CBEC in China.

The main contribution of this studying is to be able to combine the current world CBEC situation and the background of China's foreign trade development together, from the import and export aspects, to describe and study all aspects of China CBEC to form an overall description of it. By adopting SWOT analysis to make a comprehensive evaluation of its overall development and to give constructive advice. The shortcoming of this studying is that it is only focusing on theoretical research and lacks of empirical research with relative supportive data, but it is difficult to make up this because of lacking of specific data support in reality. In the course of research, it also can be found that current studies about China CBEC always starts from the actual needs of the real world, and always makes a theoretical analysis around the needs of the enterprise, but there is lacking of an overall analysis from all its aspects which increase the difficulty of this research.

1. THE STATUS OF GLOBAL CBEC AND CHINA FOREIGN TRADE

There are two parts in this chapter, one for the description of the global CBEC development status, which will include its literature review and the definition of CBEC, as well as the comparison between CBEC and traditional trade. The other one is the description of the present status of China foreign trade in terms of its macroeconomic environment and its policy environment.

1.1 The Status of Global CBEC

1.1.1 Literature Review and the Definition of CBEC

Before giving an introduction about the CBEC, a global literature review about CBEC is necessary since it will provide us a more overall understanding about what are the main points that global scholars focus on CBEC. Besides a clear definition of CBEC also can help us get better understanding about the main influences of its development.

Compared with the China national studies in CBEC, international studies in CBEC are more likely to focus on the overall effects that CBEC imposed on international trade and the main principles and merchandise behind those effects. Those studies normally start from the perspectives of trade distance, consumer welfare changes and language barriers by comparing with general international trade. For example, as early as 2001, Cairncross (1997) began to study whether online trade can live up to “the death of distance” or not. Cowgill and Dorobantu (2017) studied the effect of CBEC imposed on international trade by analysing domestic trade data and cross-border data collected from Google AdWords. It showed that the growth of CBEC cut down 2/3 distance-related trade cost. Similarly, Gomez (2013) found that B2C CBEC contributed to the reduction of geographical distance-related trade cost by one-third by using data from the EU (European Union) member countries.

These studies have also shown that CBEC reduced trade distance and promoted the development of trade. On the other hand, Gomez (2013) also claimed that trade cost related with overcoming language barriers doubled, because that CBEC has basically the same infrastructure

with offline transactions. An study by Alaveras(2015) presented that geographical distance was still a important factor of influencing consumers cross-border shopping by e-commerce platforms thought using the EU data revealed that the geographical distance between two countries. So whether CBEC can shorten distance-related trade cost or not still remains uncertain and more empirical evidence is need. There are also many studies only focus on the exact impact of CBEC on consumer welfare from the perspectives of price, transaction cost and product diversity. For example, An investigation of CBEC in EU presented options about how the more affordable prices, and lower search costs in CBEC can help consumers save 12 billion euros. Lendle(2012) in his article estimated that the consumer welfare gains from an across board reduction in offline trade costs to the level prevailing in online trade at a whopping 29 percent on average. Duch–Brown(2013) also found that consumer welfare can be increased by the lower prices in cross-border trade environment. On the other hand, compared with traditional international trade, online consumers also face higher risks in online environment in terms of transaction security and logistics safety, which can damage customers welfare. Those can be explained that since local shops offering more products choices may take consumer much more time and effort to assemble all that information in the offline world, as a result e-commerce may decrease time costs and information costs and increase consumer welfare. Apart from the above studies, a number of previous research also studied other factors of CBEC. Cardona and Cardona and Martens(2014) identified the obstacles that consumers and suppliers would meet in traditional trade environment can be easily be removed in CBEC environment. Beside in the early research of Brynjolfsson(2003), it founded that obstacles like limited transparency on delivery, customs barriers, hard return processes, and price opacity in traditional international trade will be easily removed by CBEC. At the same time, carriers and other service providers can be easily found in CBEC environment, this will be helpful to create an much more effectively business world. In the research of Zhou(2016). He founded a location-routing problem in the distribution process of CBEC by doing a hybrid evolutionary search algorithm which is based on a genetic algorithm and local search. They found a new method to get out of the traditional “comparative advantage trap”, when the changes in transaction costs

can lead to a new comparative advantage. In the research of Kawa(2015), it claimed that integrator in CBEC can solve the logistics troubles in CBEC by integrating the whole supply chain. Heikkurinen (2013) studied the improvement of supply chain management in CBEC logistics systems can directly promote cross border e-commerce. Since the logistics problem is the main problem in the development of CBEC, therefore there is a lot research related logistics can be found easily. However when it comes to the general question whether CBEC really can make a positive effect on a country's economic or not is still questionable. In the research of Nuray Terzi (2011), she showed that the implement of e-commerce will increase the amount of global trade. She also proved that in the short-term CBEC is much beneficial for developed countries, while in the long run it will be more conducive to developing countries. While the existing literature, in the early time, is limited to analyzes the exact impact of CBEC on trade distance and consumer welfare since it is impossible to find the accurate statistics related the impact which from for all-side of one countries. Besides, there is lack of specific studies about what problems of every transaction processes in CBEC has currently and how to solve them as well. However, as the development of CBEC grown fast, most global researchers started to focus on the problem that CBEC face and its future trend. Their researches mainly refer to its logistics, third-party payment systems, taxation, influencing factors and future development trends. Among those, logistics and taxation are the main issues of global CBEC and much more research related them can be reached. For example Rifat Azam (2012) argues that taxation is an important issue in the development of CBEC. CBEC taxation should be levied and managed by global tax funds, which will be used to address issues such as global climate and infrastructure construction. Abbas Asosheh. (2012) analyzed the B2B transaction status by constructing an Iranian CBEC model to gain a strategic understanding of business document exchanges in the trade process. Bertin Martens (2013) compares the drivers and barriers of online and offline trade, and analyzes the motivations for consumers to switch from offline transactions to online transactions and how they can benefit consumers.

Therefore, this study will just not focus on the theoretical analysis but empirical research on the impact that CBEC on China foreign trade since there is also lack of related data too, instead, more attention will be given to specific analysis of the transactions process in China CBEC.

To provide a overall view about CBEC, first it should be known what the procedures it has and what impacts that it post on one country's economic.

● **The Basic Introduction to CBEC**

The CBEC as a new kind of trade way which is much more more advanced e-commerce form and both trading sides in different countries and regions trade can find each other easily through its platform. There are different approaches and perspectives to E-Commerce. However, the definitions used by some international organizations and countries include elements such as the application of information and communication technologies and the Internet as the main way of communication, initiation of transactions, movement across border from one country to another, and online payment.

According to World Customs Organization's definition, the framework of standards of CBEC is characterized as follows :

- Online ordering, sale, communication and, if applicable, payment,
- Cross-border transactions/shipments,
- Physical (tangible) goods, and
- Destined to consumer/buyer (commercial and non-commercial).

This framework sets standards mainly for B2C and C2C transactions. However, for B2B transaction, its members are encouraged to apply the same principles and standards. There are three basic types in CBEC: B2B (Business-to-Business); B2C (Business-to-Customer); and C2C (Customer-to-Customer). According to other standards, CBEC can also be categorized as either an export or import activity. The basic work procedures of CBEC as following in figure 1:

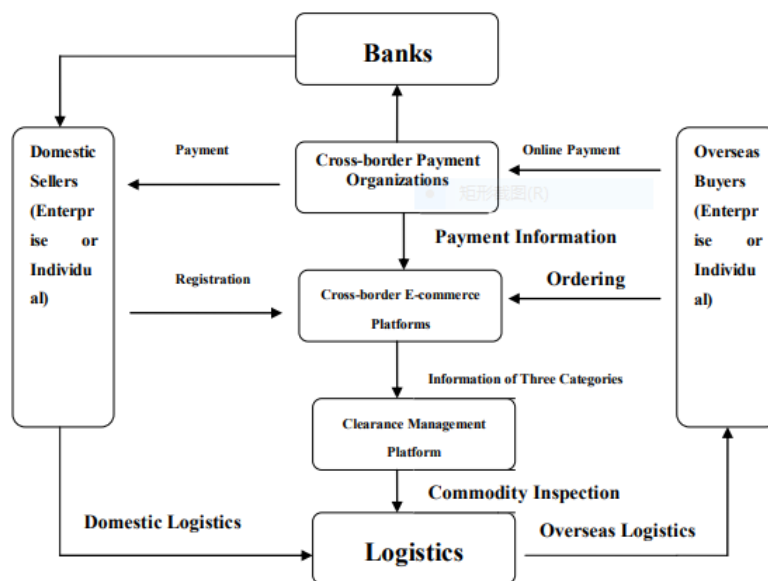


Figure 1The Basic Business Procedure in CBEC

Source: Adapted from Problems in CBEC Export Trade in China & Countermeasure Analysis

From above figure, there are main three processes in CBEC. Firstly, the manufacturer or the service provider shall register on CBEC or third-party cross-border logistics platforms; Then after they get certification, they shall display the information about their products or services on the platforms with marked titles, prices and modes of distribution so that they can easily be found when their potential customers search for relative information. At same time, CBEC platforms can also conduct promotion and marketing for those products as well to help customers to make decisions. Once customers make up their decisions, they can make online orders from the CBEC platform and do online payment via cross-border payment organizations which shall be transferred to sellers' overseas accounts via online payment organizations or domestic accounts via banks (Normally this can be down on by third party payment system).

Secondly, the sellers in export country shall deliver ordered products by a cross-border logistics enterprise for distribution, by which those products shall be send to the export custom for custom declaration . At the same time, the CBEC platform automatically transfers the information of the order, logistics and payment to custom clearance service platform of export

place. At the same time buyers can also get transaction process information from CBEC platform. By this way, the oversea buyers can control the information in time. The CBEC platform also have the function of submitting the Clearance List to clearance supervision platform. Besides, it is the logistics enterprises that help the sellers to apply custom clearance apart from arranging the delivery. Once the goods passing the custom examination and commodity inspection successfully, import custom will conduct the information of goods examination and acceptance and send this it to the logistic enterprise.

In the end, products will be shipped to the import country's custom by the logistics enterprise and be delivery to the overseas buyer after custom clearance and commodity inspection.

- **How the digital technologies of CBEC transform global commerce and impact general trade.**

As we know from above introduction of CBEC, it brought revolutionary changes to traditional trade and this will result in a serial consequence for both buyers and sellers. As what the 2018 World Trade Report addressed the digital technologies in CBEC is transforming global commerce. There is no double that the development of future international trade will be dominated by advanced digital technologies. The report helps to illustrate the main changes that CBEC brought to traditional international trade.

- ① Reshaping global consumer consumption habits.
- ② Allowing firms to entry into market easily with increasing product types and making goods distribution become more easy and cost-saving for them.
- ③ Providing small business more opportunities and shifting developing countries production activities to change their position in global value chain.
- ④ Trade costs have been cut down . ¹
- ⑤ Increasing developing countries' share in global trade was predicted to grow from 46 % in 2015 to 57% by 2030.

¹ For example, International trade costs was decreased by 15 % from 1996 to 2014. It is the new technologies that contribute to trade costs decrease. It predicted that the world trade could grow yearly by more than 1.8% to 2% until 2030 as a result of the falling trade costs, which will amount to a cumulated growth of 31% to 34% over 15 years.

⑥ Facilitating services trade which will promote enable new services emerge. ²

Apart from those positive changes, there are may some worrying effects imposed on traditional international trade. There are still some concerns about market concentration, loss of privacy, security threats, the digital divide and the negative impact that CBEC on a country's economy. For answer those questions it need know how CBEC influence one country's economy. Normally following points are regraded as the main impacts of e-commerce on general trade:

● **The impact of CBEC on international trade business model**

In the general trade operation mode, buyers and sellers in trade must do business negotiations(most of them are face to face) before making an order, and long-term transaction negotiation undoubtedly consumes much more time and cause more expenses. Then each single transaction must be accompanied by signing a paper contract and handling all kinds of paper documents, which is a very slow method through manual work efficiency is not taken into consideration. However, in CBEC platform, buyers and sellers can negotiate through the network platform, with a much more convenient and safe environment and the transaction processes such as order placement and payment are also automatically completed by platforms. Therefore, CBEC not only saves a lot of time and cost, but also is more efficient and efficient since even each transaction only takes a few minutes. The network platform of CBEC also serves as a medium for international trade, making trade between countries and countries faster and more efficient, and changing the traditional business model of international trade. On the one hand, in the general foreign trade, the process of goods display, transaction negotiation, placing orders, collecting and receiving, etc. has been changed in the condition of CBEC; On the other hand, for invisible general foreign trade, the e-commerce platform can even complete all trade process work. In the traditional trade environment, because of the participation of importers and exporters in the trade process, if importers want to import the goods they need from the import them from exporters and then retail them to consumers in the country. By this trading, during the process of importing and exporting goods, both importers and exporters are more likely to focusing on commodities and ignoring the most basic needs of consumers

² It was also predicted that the share of services trade could increase from 21 % to 25% by 2030.

and the range of consumers' free choice of goods is easily to be limited. However, in CBEC, consumers in various countries can directly log on to cross-border electronic trading platforms such as Alibaba.com and freely browse a wide variety of goods. Consumers can directly talk to the merchants about the products they are interested in, and learn about the comprehensive product information. At the same time, they can choose payment methods and logistics services according to their own needs.

- **The impact of CBEC on international trade participants**

The CBEC platform has gradually transformed the linear trade model which centered on importers and exporters into a more extensive trading model. According to Wenjin (2016), for a large number of small and medium-sized enterprises and new-type enterprises, this network model of CBEC directly increases trade opportunities for them, which means CBEC platform and provides a fair foreign trade environment both small and large enterprises with same opportunities. However, Fan Wenjing (2015) pointed that the development level of China's e-commerce is similar to the development pattern of its geographical distribution. Part of CBEC enterprises are self-employed enterprises that use the self-built platform of the network. Most of them are transformed from enterprises that carry out traditional foreign trade, which should be subjected to traditional foreign trade. Therefore the impact of the pattern development is greater on China foreign trade.

At the same time, enterprises in various industries in different countries has started to apply the e-commerce trading channels to expand their market. The big data automatically generated by the intelligent e-commerce platform can provide enterprises with more effective decision-making information about consumer behaviors and consumption habits of various countries with a fast and accurate level. These international trade participants find the target customer's regional scope and drainage direction. Not only that, but through these big data, it can also know the information of competitors in the same industry at the same time, which invisibly drives the improvement of market competitiveness. This new model has also driven the development of the international logistics industry, the financial industry, and the data and information processing industry, and has improved the overall service industry.

With the improvement of Internet technology, cross-border electronic trading platforms and customs, banks, insurance companies, logistics companies cooperate with each other, those help foreign trade enterprise cut down huge amount of cost in terms of time and capital.

- **The Impact of CBEC on the trading environment and international trade security**

The rise of CBEC has accelerated the development of global import and export trade. As trade volume between countries increasing, the development of international banking, logistics, insurance, service, and electronic information industries are promoted correspondingly, a new system of international trade is also formed as well. At the same time, according to Chaoxiao(2017)'s research, some MFN treatment, agreed tax rates, preferential tax rates, together with tax-free tax rebates and other policies has been applied by various countries, this will be increased globally. However, according to Junning(2018)'s research, in the international e-commerce service platform, there are still security and regulatory issues in international trade, especially for some developing countries that are in the development stage of CBEC. The laws and regulations of their credit system have not yet been allowed to reach to a maturity level. This has greatly threatened the market order of international e-commerce trade, and the quality of goods is easily destroyed, which increases the credit risk of international trade. Information security is difficult to make sure. As a result, the illegal disclosure of consumer information has frequently occurred, and criminals use this information to carry out infringement and telecome fraud, which in turn leads to difficulties in mastering and controlling the regulatory measures for international trade. All countries should attach great importance to the international e-commerce regulatory system and jointly create a good transnational trade environment.

For the primary elements and main barriers of the development of CBEC, according to the development of cross border e-commerce conference study of Feng Ding, Jiazhen Huo, Juliana Kucht Campos's (2017) in January. In their research the main drivers, barriers and trends of the development of CBEC were addressed by using a systematic review of analysis the research reports. While factors like culture and consumer behavior, marketing strategy, product diversity for different countries, laws and regulations implement, payment and logistics system were regarded as the key difficulties to its development, of which logistics-related issues was the

strongest concern. While it was found that following factors contribute to the development of cross-border e-commerce :advanced technology, growing demand and advantageous policies.

① **Advanced technology**

In research of Burinskiene(2012)and Grant and Bakhru(2004) it was claimed that since advanced CBEC technologies can cut down the cost of marketing and administration fee, while help international enterprises to reach dispersed markets . In the research of Hwang, (2006) and I-Ways(2003), they was found that it is the combination of internet advances in Economics, Business and Management Research (AEBMR) that promote the development of CBEC.

② **Growing demand**

In an era of e-commerce, customers' requirement must be the primary requirement in company's operational model. According to the research of Analysys (2015) concerns about poorer goods quality, counterfeit goods or product piracy are the main reasons why customer choose to do shopping thought CBEC and that is why there are more and more Chinese young generation chose to purchase goods from e-commerce platforms as the growing standards of life and economic condition allow them have better choice for goods.

③ **Advantageous policy**

Government policies always play an important role in the development of one industry. Today as the leader of the CBEC market, the reason why EU and China CBEC can make a such big progress can be explained by their advantageous policies like European Free Trade Agreement and China Free Trade Area which help them to open up markets for trades. According to the research of Nielson and Morris, (2001), a similar result can be found from developing countries. When it comes to the barriers for implementing CBEC, after an extensive complete review of the latest papers and reports, six categories of barriers for implementing CBEC were identified.

① **Culture and Consumer**

According to the research of Youngdahl and Loomba(2000) in international trade, the information flow and goods cross can borders and encounter cultural in differences ways. While it is the language difference that can change the culture distribution in different markets and hinder the consumption of consumers from abroad.

② Marketing

Youngdahl and Loomba(2000) found that normally it is difficult for CBEC companies, especially for SME companies, to get adequate information about foreign market operation since the barriers like language and fund resource and etc.

③ Product

It is frequently cited that local consumers lack of trust to cross-border enterprises since fake and counterfeit goods are most commonly observed in emerging markets. For example, Youngdahl and Loomba(2000) also found that Chinese goods is always regard as cheaper goods with poor quality. This obviously is the big barrier for a cross-border enterprise when they want build their brand awareness in target country. ³

④ Law and Regulation

Law and regulation related to foreign trade in one country can reflect this country attitude to foreign enterprise. While different laws and regulations from countries limit CBEC enterprises' ability of their business, such as policies about data privacy and goods return. For example, in Germany, the customers can unconditionally return online purchase within 7 days. Tax rate like duties, VAT is also a big concern when foreign consumers make a cross-border purchase decision.

⑤ Payment

Payment is about how to make customer convenient to pay cross-border purchase, like let customers can do payment by their local currency through platforms they can trust. In order to let customers easily pay their orders in a security environment, CBEC companies must be familiar with local payment preferences in their target markets. For example, in Russia, pay at door is still a very common payment way, but this is impossible in Western countries. Besides

³ While products like computer, communication and consumer electronic products with high standardization, popularity and profitability are very suitable for CBEC, but this also easily result in a serious homogenization of competition.

the fluctuation of local currency exchange rate, the complexity of currency conversion systems so on also can also negatively effect customers' cross-border shopping intention.

1. 1. 2 A Comparison between CBEC and traditional trade

International trade refers to the transaction of goods flows, labor, technology between different countries and regions. While the essential difference lie between CBEC and general international trade is trade methods: CBEC is a combination between e-commerce and traditional foreign trade, and it is more like an upgraded product for information-based traditional foreign trade ,of which the whole transaction procedures can be completed on the Internet. Like the traditional international trade, CBEC is also a complete industrial system. But CBEC is not only a simple marketing behavior related with international commodity exchange since it integrates the fulfillment of international logistics, customs clearance, foreign exchange settlement and other processes in one platform during its pre-transaction and post-transaction processes.

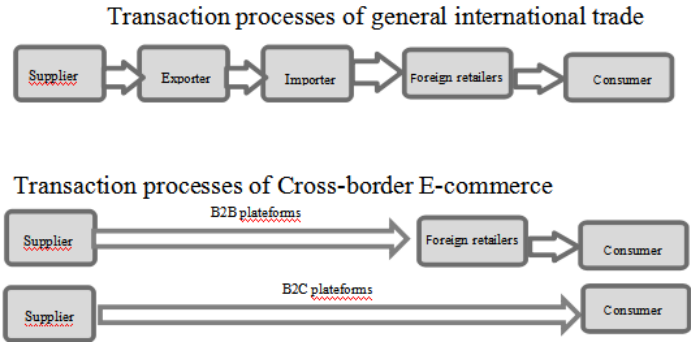


Figure 2:Transaction Process Comparison between General International Trade and CBEC

Source: own

As it shown in Figure2:Transaction Process Comparison between General International Trade and CBEC, in traditional international trade, there are exporter and importer needed to transfer goods, while in CBEC, customers directly connect with goods suppliers and both exporter and imported are no need to exist. The emergence of CBEC platforms has also shortened the traditional B2B2B(C) model to the B2B(C) model. This new B2B or B2C trade situation has

saved intermediate importers and exporters, producers and consumers. Direct transactions between the parties save most of the middleman costs and expenses in the middle. Here is brief summary for the differences between general trade and CBEC.



Table 1: Comparison between CBEC and General International Trade

	CBEC		General International Trade
Preparation before trading	Buyers and sellers can publish, update, and query product information at any time through CBEC platforms. Buyers can compare similar products from different shops at a short time and determine the best option of goods with the best price; Sellers can display the performance of goods through the platform and thought using modern communication means to answer customers' questions in a timely manner, so that they can quickly find or get potential customers.		Buyers and sellers promote or obtain product information through traditional media such as fairs, trade fairs, television, radio, newspapers, magazines, etc. , and the possibility of information asymmetry is greater. It is more difficult for buyers and sellers to obtain the best source of goods and find the lowest price.
Business negotiation	Transaction negotiation	Trade information is transmitted through platform in forms of instant messaging, various electronic documents, and standard electronic messages.	According to the four procedures: inquiry, price, counter-offer and acceptance, buyers and sellers need conduct face-to-face negotiation and the information will be delivered by mail, telephone or fax.
	Contract	Electronic order	Paper contract
Contract performance	Buyers can play online orders and do online payment, or fulfillment of online loan and get receipt on CBEC platform and the platform can automatically send buyers information about cargo transportation, electronic customs clearance status. Also tax rebates and import license and other implement can be simplified and submitted on the government network platform		It takes a long time to performance Cross-border payment and the risk of payment and receipt is unknown, and it is impossible to track real-time status of transportation, export tax rebate, .
Trading tool	Paperless trade, trading tools in trading activities are electronized and standardized. For example, production orders, goods invoices, goods bills of lading, customs declarations, and licenses required for import and export are electronic and standardized, and information such as international agreement documents are transmitted to the other party through the network at a lower cost.		Paper trade, orders generated in trade activities, goods invoices, goods pick-ups, customs declarations, and permits for import and export, etc. , require letters, faxes, and international long-distance calls, which are both time-consuming and labor-intensive costly. .
	Transportation	The number of small-size orders, multi-frequency orders are increasing, There are a large growth of international postal parcels and international express delivery packages.	Traditional international trade transportation mainly by sea and container.
	Logistics operation model	CBEC has transformed the international logistics business model, combining logistics and supply chain management to help companies reconstruct and optimize the entire supply chain process from raw materials to finished products.	The general international logistics business is the transportation that mainly addresses the space and cost interval between production and consumption, and the isolation of information and function between production and consumption.

Logistics system	Logistics model	The development of CBEC platform and logistics is cooperated by each other and the logistics model now is more diversity and more open. In addition to international postal parcels, international express delivery, as well as overseas warehouses, border warehouses, free trade zone logistics, goods flow, third-party logistics, fourth party logistics are also developed.	Single logistics mode
Payment system	Under CBEC, electronic payment systems and electronic documents replace traditional paper documents. The transfer and settlement of letters of credit and documents are carried out online, and the payment methods are continuously innovated. Flexible third party payment system like Paypal and Alipay were invited.	In the traditional international trade payment process, Letter of credit is regard as the better payment method business with new patterns at the beginning, by which some written documents such as promissory notes, money orders and checks must be included.	

Source: own

From Table 1: Comparison between CBEC and General International Trade, which is about the comparison about the difference between CBEC and general foreign trade as follow, it can see CBEC has shortened the trade chain and reduced trade costs by providing a direct trade bridge between producers and consumers. Producers can directly publish and sell their products through e-commerce platforms, while terminal consumers can contact suppliers directly to purchase what they need as well. Also as a new form of foreign trade, CBEC in the whole network marketing is more diverse and wide-ranging. Traditional international trade is usually carried out in the form of offline exhibitions and visits. Besides, CBEC is more convenient and faster. With the efficient Internet technology, sellers and buyers can have a more safe and convenient communication and payment environment in CBEC which traditional trade can not provide, therefore sellers can quickly grasp the business information in the latest time, that means that in CBEC suppliers can easily keep abreast of the shopping needs and consumption habits of domestic and foreign consumers. Consumers can get product information and producer information without leaving home and directly contact the suppliers for the left transaction procedures such as placing orders and making payments.

1. 1. 3 The Present Status of Global CBEC Development

According to the world trade organization's report about the latest 10-year's review of World trade situation, it found that, after the financial crisis in 2008, international trade has been characterized by unusual and persistent weakness in the last few years. Until 2016 the global trade started to turn up with a more moderate pace (a decline of about 3 per cent in value terms), and the trend of world trade is getting upper now and reached its highest point at 2017 in terms of trade volume and trade value. According to the world trade statistical review from WTO(2018), In 2018, the world merchandise trade reached its peak by a strongest growth in six years. Especially Asia part now has been the number one in terms of trade growth rate and over 70 per cent of its merchandise exports are still manufactured goods. Also the top three merchandise traders were China, the United States and Germany in 2018 and among developing economies, China, Republic of Korea and Hong Kong (China) were the leading merchandise traders. From the aspect of goods kinds, compared with goods trade, commercial service also growth quickly, trade in commercial services fully recovered in past 10 years, with all regions achieving growth. For this part, the United States, United Kingdom and Germany were the top three commercial services exporters while the United States, China and Germany were the top three importers. From aspect of commercial service, developing economies like China, India and Singapore were the leading traders in 2018.

The main trade barriers in current world trade today's international trade faces are also a lots. For example, the growing mountain of debt, more than three times the size of global output is single of that failure etc. According to Trade and Development Report 2018, now consequently the increasing indebtedness observed globally is closely connected to the rising inequality of growing weight and the influence of financial markets. But the ability of financial institutions to rig markets has survived the early rush of reform in the aftermath of the crisis and efforts. Those concern obviously has influenced the development of international trade in recent years. For example, the international trade sphere is experiencing a severe crisis, with barriers to classical trade in goods rising and a trade war between China, the United States (US) and the European Union (EU) imminent. Although the World Trade Organization (WTO) is the

multilateral organization that should deal with rules for international trade for decades for the purpose of ensuring trade flows to be as free and predictable as possible. However, it seems that now the organization has been paralyzed, not knowing how to respond to the new, protectionist, realities in international trade. Apart from the trade war, according to the research from Shaojun Yan (2018) that the discussion about whether digitalization and protectionism are two opponent poles is a controversial topic in trade research worlds. Besides new technology revolution in trading world bring world trade to a new trade era to us and this may post some threats to some less developed countries in digital trade while most of countries can benefit from this revolutionary change.

Currently, the global trade is undergoing profound changes. CBEC has become the new way to grow. [According to the report of Contemporary Logistics in China\(2018\)](#), CBEC is expected to nearly triple from \$909. 93 billion to \$2. 595 trillion between 2017 and 2021. Among this, [China alone made up 67. 1% of e-commerce sales](#). Which means that global e-commerce now is play increasing important role in world trade even though it is still a small part to all and the digital world has bucked the gloomier post-crisis trend and is opening up new growth opportunities for developing countries.

While the development level of CBEC mainly is connected to the basic infrastructure of one country. Normally the CBEC situation in developed countries is much better than in developing countries. For example, countries equipped with advanced infrastructure and superior regulation for e-commerce, its CBEC industry can grow quickly. Besides, according to [PRNewswire\(2015\)](#), Europe has a well-established cross-border shopping tradition environment and over 25% online shoppers in the EU have made purchases from other countries. Also according to [UNCTAD\(2015\)](#) research, in the short term, the revenue of CBEC will be concentrated in developed countries, while in the long run, a leapfrog development is expected by developing countries after overcoming some information technology limitations. For example, according to research of [Accenture and AliResearch \(2015\)](#) China will be expected to

be the largest CBEC market by 2020 . With the advantages of convenience and low cost, CBEC has gradually emerged and becomes an important driving force for China’s foreign trade growth.

Table 2: The Amount of B2B and B2C in CBEC in 2018

	Economy	Total		B2B		B2C
		\$ billion	% of GDP	\$ billion	% of all e-commerce	\$ billion
1	United States	7,055	39%	6,443	91%	612
2	Japan	2,495	60%	2,382	96%	114
3	China	1,991	18%	1,374	69%	617
4	Korea (Rep.)	1,161	84%	1,113	96%	48
5	Germany (2014)	1,037	27%	944	91%	93
6	United Kingdom	845	30%	645	76%	200
7	France (2014)	661	23%	588	89%	73
8	Canada (2014)	470	26%	422	90%	48
9	Spain	242	20%	217	90%	25
10	Australia	216	16%	188	87%	28
	10 above	16,174	34%	14,317	89%	1,857
	World	25,293		22,389		2,904

Source: UNCTAD⁴

As it can be seen from table 2, nowadays ,CBEC is an important part of GDP by accounting for 34%. The main type of CBEC is B2B which account for 89% of total with the amount of 22398 billion dollars. Also it can be found that among those 10 countries ,only one developing country,China, is in the list. This can be explained that developed countries have better environment to develop CBEC. While the speed of import cross-border is accelerated. Here are more detailed figure about the growth of CBEC from different countries.

1. 2 The Background of China Foreign Trade

1. 2. 1 The Current Situation of China Economic Situation

⁴ Statistics in table was adapted from US Census Bureau; Japan Ministry of Economy, Trade and Industry; China Bureau of Statistics; KOSTAT (Republic of Korea); EUROSTAT (for Germany); UK Office of National Statistics; INSEE (France); Statistics Canada; Australian Bureau of Statistics and INE (Spain).

As the one of biggest trade economic entities in the world, China's economic development also mainly depended on its foreign economic growth. After the implement of economic reforms and the adoption of the open door policy, international trade, China's economy have experienced dramatic growth .

Basically, according to the research from Wayne M.(2018) the history of development of China economic can be divided into two major periods: before 1978 and after 1978. China's Economy Prior to Reforms year 1979, under the leadership of Chairman Mao Zedong, at that time, China maintained a centrally planned or command economy. A large share of the country's economic output was directed and controlled by the state, in 1978 nearly three-fourths of industrial production was produced by state-owned enterprises (SOEs). Private enterprises and foreign-invested firms were normally barred. The main national economic aim of that time was to make China's economy relatively self-sufficient. Foreign trade was not allowed developed in that time which lead to distortions in China economy and there were no market mechanisms to efficiently allocate social resources, and thus there were few incentives for firms, workers, and farmers since they were just mainly focused on production goals the government asked. According to Chinese government statistics(2018), China's real GDP grew at an average annual rate of 6. 7% from 1953 to 1978. According to research from Economist Angus Maddison, China's actual average annual real GDP growth during this period at about 4. 4%. After 1978, under the leadership of Chairman Xiaoping Deng, China started open its door to world and started join international market. In addition, private companies were encouraged to start their own businesses and coastal regions and cities like Shenzhen, Guangzhou, Shanghai etc. were selected as open cities and development zones and were allowed try free-market reforms. Foreign trade in those cities and zones also were offed tax and trade incentives from government to attract foreign investment. Besides, state gradually eliminated the price control on products. This time is the start of China trade liberalization. By this economic reforms, the development of China economy has grown substantially faster than during the pre-reform period. From 1979 to 2016, as it can be seen from below figure 3 China's annual real GDP averaged 9. 6%. However, China's growth slowed steadily for resent six years and be faced with the deepening

concerns about the prospects of China’s economy. While this trend end at 2016 when China’s GDP posted a slight uptick in quarterly growth and the annual growth rate of China economy reached to 6. 9% in 2017. Even though its real GDP growth has slowed significantly, from 14. 2% in 2007 to 6. 9% in 2017, and that growth is projected by the International Monetary Fund (IMF) to fall to 5. 8% by 2022.

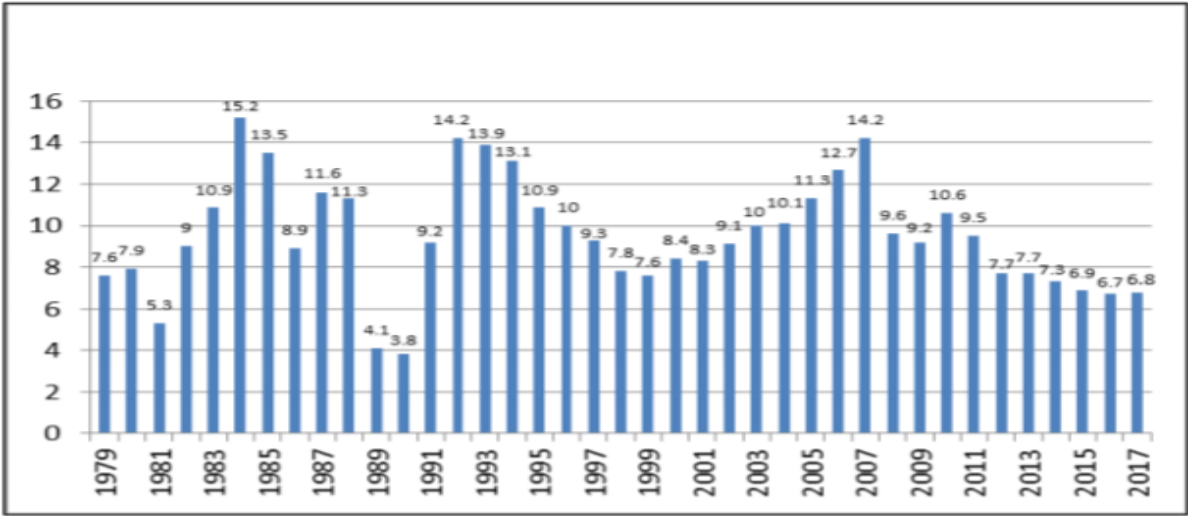


Figure 3:China Real GDP Growth 1979-2017(percent)

Source: IMF, and Chinese National Bureau of Statistics

Apart from those, according to the research from Wayne M. Morrison(2013), China now also faces a lots economic challenges which could slow down its future growth, including distort economic policies that have let economic growth over reliance on fixed investment and exports (rather than on its domestic consumer demand) and government supported state-owned firms, a weak banking system, widening personal income gaps, growing environment pollution, and the relative lack of the rule of law and regulations in China. While the China government has already pay attention to these problems and has addressed them by implementing new policies to enhance the effect of its domestic market in terms of boosting innovation, changing consumer spending as the main driving force of the economy, expanding social safety net coverage, encouraging the development of green industries (such as services), and cracking down on

official government corruption as well. Whether China will continue to keep its relatively rapid economic growth rate or will start to experience significantly lower growth rates will depend on the ability of the Chinese government to implement those reforms. It is the growing power of China economic that has led it to become increasingly connected in global economic policies and projects, especially when it comes to infrastructure development. China new global programme, the Belt and Road initiative was regarded as a big project to establish finance infrastructure throughout Asia, Europe, Africa, and beyond. If it is successful, China could significantly increase its export and investment markets and its “soft power”⁵ will be also increased globally.

Apart from the mentioned characters of China economic, here are more characteristics can be found from China Economic Report in 2018 which is provided by China government as following:

① The profitability of China manufacturing sector has began growing again, but the investments of expanded production remain difficult in the recent years

② The Infrastructure investment of China keep stable, but the real growth in investment has decreased. The investment for real estate has published, but its future growth will be difficult to sustain.

③ There is showing signs of recovery in China Trade, but weak external demand will need persist recently.

④ China domestic consumption remains stable, but it also faces emerging constraints to growth

⑤ The main factors that incese China economics growth

⑥ China has historically maintained a high rate of savings which is even far exceed its domestic investment levels, and this also enabled China to substantially boost domestic investment and to become the largest lender for other countries.

⑦ Productivity gains have been another major factor in China’s rapid economic growth.

⁵ The soft power of China is the indirect and non-military influence of the People's Republic of China that can be observed outside the country around the world.

However, according to other countries' experience, after a certain time of having a high economic growth rate, China may not sustain its trend to near future by suffering "middle-income trap"⁶ as other developing countries did before.

1. 2. 2 The Basic Description of China's Foreign Trade

Here mainly give basic information about China foreign trade in terms of its trade volume, trade partners and products categories, most importantly, China foreign trade policy environment. Those information give us a basic knowledge about China foreign trade and draw a picture about the background of the development of China CBEC.

Trade volume

Since there was no any foreign trade policy before 1978, therefore the development of China international trade can be studied only after 1978 when China started to establish trade relationships with foreign countries. In the process of China's economic reform after 1978, foreign trade has always played an important role. Over the past 40 years (from 1979 to 2019), China has firmly grasped the opportunity of globalization and successfully promoted its foreign trade system, adjusted and improved its foreign trade development strategy, stimulated the enthusiasm and creativity of its enterprises and finally become the largest country in the world's goods trade, which created a miracle in the history of China's and world economic development. According to the research of Xiouli Zheng (2018) and the statistic research from China national Bureau Statistics, General Administration of Customs, iResearch, in the early stage of economic reform (1979), China's exports accounted for less than 1% of the international market. In 2009, China export amount exceeded Germany's and became the world's largest exporter. In 2017, China became the world's largest trading country by its export accounting for 12.8% of the world's exports as number one in the world and its import accounting for 10.2% of the world as number two in the world. The total import and export volume of China's goods increased from US\$20.64 billion in 1978 to US\$24 trillion in 2018, an increase of 224 times with an average annual growth rate of 14.5%. The total amount of Chinese exports increased from

⁶ Middle-income trap means that low-income economies may be not able to transition to a middle-income economy, because they are unable to sustain high levels of productivity gains (in part because they could not address structural inefficiencies in the economy), they are also unable to transition to a high income economy.

US\$1.75 billion in 1978 to US\$2.48 trillion in 2018, with an annual growth rate of 6.22%. The ratio of China's total exports to the world's total exports has also increased overall, from 1.05% in 1980 to 4.38% in 2001, and increased by 12.5% in 2017.

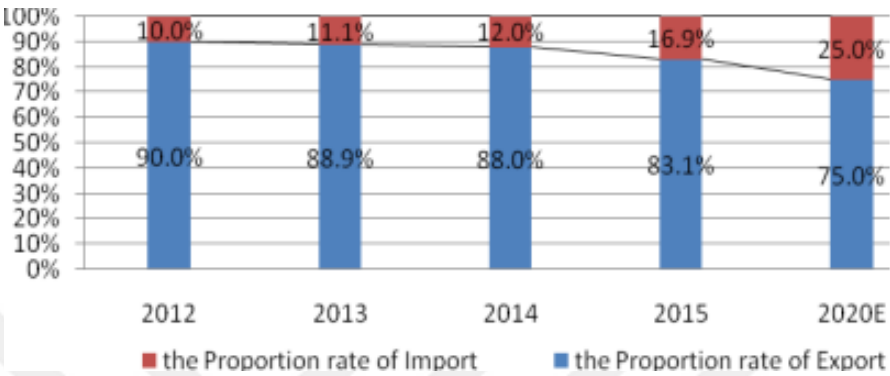


Figure 4: 2012-2020 The Proportion Rate of Export and Import Trade in China CBEC Total Trade

Source: China National bureau Statistics、General Administration of Customs、iResearch.

As it can be found in the figure 6: 2012-2020 The Proportion Rate of Export and Import Trade in China CBEC Total Trade, among China CBEC, China export CBEC's volume accounts for 83.1% of the total volume and import accounts 16.9%. While from the aspect of growth speed, China import CBEC grows much more fast and it is predicted up to 25% in 2020

China's Major Foreign Trading Partners, Regional and Bilateral Free Trade Agreements

According to the research from the research from Xiaolei Sun(2018), China's trading partners have grown from dozens of 1978 to 231 now. The EU, the United States, ASEAN, Japan, and the BRICS countries are China's major trading partners. Since the 21st century, China's trade with emerging markets and developing countries has continued to grow rapidly. According to the report of Congressional Research Service (2017) from China's Customs Administration, as Table 3 shown that there are 7 main largest trading partners of China foreign trade in 2017 (based on total trade). The largest trade partner of China is European Union (EU28), and the United States is the second largest and the third is the Association of Southeast Asian Nations

(ASEAN⁷) which is organized by 10 Southeast Asian countries and ASEAN's share of China's export market increased from 7.0% to 12.5% during 2000-2017. The other four are Japan, Hong Kong, South Korea, and Taiwan(China). At the same time, the United States, the EU28, and Hong Kong also are China's top three export partners, while the EU28, ASEAN, and South Korea are China's top three import partners. According to Chinese data, large trade surpluses was found in China foreign trade with the United States (\$282 billion), Hong Kong (\$274 billion) and the EU28 (\$129 billion), and a large trade imbalances with Taiwan (\$112 billion) and South Korea (\$74 billion) were reported. It was found that there is China's data difference significantly from those of many of its trading partners. It can explained that this can be probably be caused by how China's trade via Hong Kong is counted in official Chinese trade data or respectively.⁸

Table 3: China's Major Merchandise Trading Partners 2017(\$ billions)

Country	Total Trade	Chinese Exports	Chinese Imports	China's Trade Balance
European Union	618.1	373.7	244.4	129.3
United States	581.5	431.8	149.7	282.1
ASEAN	501.3	281.3	220.0	61.3
Japan	302.1	137.1	165.0	-27.9
Hong Kong	287.8	281.0	6.9	274.1
South Korea	280.2	102.9	177.3	-74.4
Taiwan	198.8	43.6	155.2	-111.6

Source: China's Customs Administration⁹

From the aspect of Regional and Bilateral Free Trade Agreements, China has undertaken several initiatives to develop trade and investment ties around the world, especially with Asian countries. To that end, China has entered into several regional and bilateral trade agreements,

⁷ ASEAN members include Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), the Philippines, Singapore, Thailand, and Vietnam.

⁸ See CRS Report RS22640, What's the Difference—Comparing U. S. and Chinese Trade Data, by Michael F. Martin

⁹ Note:Rankings according to China's total trade in 2017. China's bilateral trade date often differ from that of its trading partners.

or is in the process of doing so. In 2017, China had Free Trade Agreements (FTAs) with 22 partners, including with the 10 countries that make up the Association of Southeast Asian Nations (ASEAN), Australia, Chile, Costa Rica, Hong Kong, Macau, Iceland, New Zealand, Pakistan, Peru, Switzerland, Australia, and South Korea. China also has an “Economic Cooperation Framework Agreement” with Taiwan, which is the equivalent to an FTA. The combined GDP (on a PPP basis) and population of these countries in 2017 was \$15. 6 trillion and \$10 billion, respectively; and China’s total merchandise trade (exports plus imports) with these countries was \$1. 5 trillion.

Major Chinese Trade Commodities

As the largest manufacturing country and country with biggest population in the world, the abundance of low-cost labor gives China the advantage of developing its labor-intensive manufacturing industry and makes Chinese products become internationally competitive. As a result, manufactured products become the dominating part of China’s trade, such as consumer electronic products and computers. However, according to the research of Wei Wang. (2018), China products now is at the low position in Global Value Chain and majority of them are belong to value-added products. At the same time ,since China foreign trade pattern is export-dominated, the main products imported is comprised of parts and components that are used to produce export goods, like oil, industry materials. According the World Trade Atlas’s report of Congressional Research Service(2017), it can be found from table 4 and table 5, the China’s top 10 imports and exports goods in 2017 were shown, it can be seen that electrical machinery and equipment was the major products of export trade and electrical machinery also account the largest part of China export trade. While mineral fuels, nuclear reactors, boilers, and machinery (such as automatic data process machines and machines to make semiconductors) are the main import goods;

Table 4: Major Chinese Merchandise Imports in 2017

HS Code	Description	\$ Billions	Percentage of Total Exports	2017/2016 % Change
	Total Commodities	1,790	100.0	17.4
85	Electrical machinery and equipment	457	25.5	9.8
27	Mineral fuel, oil etc.	246	11.5	40.7
84	Nuclear reactors, boilers, and machinery	170	9.5	15.0
26	Ores, slag, and ash	125	7.0	34.7
90	Optical, photographic, cinematographic, measuring checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	97	5.5	4.8
87	Vehicles, except railway, and parts (trucks, and bicycles)	79	4.4	10.9
39	Plastics and articles thereof	69	3.9	13.0
29	Organic chemicals	56	3.1	27.2
12	Oil seeds, misc. grain, fruit, plant, etc.	45	2.5	16.4
74	Copper and articles thereof	41	2.3	23.7

Source:World Trade Atlas, using official Chinese statistics

Note:Top 10 imports in 2016, two digit level, harmonized tariff system.

Table 5:Major Chinese Merchandise Exports in 2017

HS Code	Description	\$ Billions	Percentage of Total Exports	2017/2016 % Change
	Total Commodities	2,279	100.0	6.7
85	Electrical machinery	600	26.3	7.2
84	Nuclear reactors, boilers, and machinery	383	16.8	10.8
94	Furniture and bedding	91	4.0	-0.2
62	Apparel articles and accessories, woven	74	3.2	0.3
61	Apparel articles and accessories, knit or crochet	72	3.2	-4.8
39	Plastics and articles thereof	71	3.1	9.7
90	Optical, photographic, cinematographic, measuring checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	71	3.1	3.5
87	Vehicles, except railway, and parts	67	3.0	11.1
73	Articles of iron or steel	58	2.5	6.7
95	Toys and sports equipment	56	2.4	23.2

Source:World Trade Atlas, using official Chinese statistics

Note:Top 10 imports in 2016, two digit level, harmonized tariff system.

From prospect of export, in the 1980s, according to China's Foreign Trade Situation Report (Fall 2018) which is issued by the Ministry of China commerce, China's export commodity

structure did a transformation from primary products to industrial manufactured products. In the 1990s, it did the transformation from light textile products to mechanical and electrical products. Since the beginning of the 21st century, the proportion of high-tech products represented by electronics and information technology continues to increase. From 1985 to 2017, China's exports of mechanical and electrical products increased from 1.68 billion US dollars to 1.32 trillion US dollars, an increase of 785 times, with an average annual growth rate of 23.2%, and the share of the global market increased from negligible to more than 17%. In the same period, the proportion of high-tech products in China's exports increased from 2% to 28.8%.

From the prospect of import, China's imports have always been carried on based on and service for its export trade need. According to Linzhi Huang (2012)'s research, through the empirical analysis using China's 1980-2011 data, the main products imported by China includes:

- Industrial primary materials which have a more positive effect on China economic growth, especially fossil fuels, lubricants and related raw materials, and some industrial miscellaneous products which have the most prominent effects on economic growth in primary products. This can be explained by the stage changes of China industrial development, this mean, by taking the advantage of huge human population, China has a cheaper human resource and more imported primary materials can promote its industrial development to a full speed.
- Products which can contributed to the development of technological- advanced products. For example, textile products, rubber products, mining products and their products, they have the most prominent role in technological progress, even higher than technical and capital-intensive commodity chemistry.

The current environment of China foreign trade

Although the overall trading environment situation is gradually recovering from the damage of 2008 global crisis, while trade protectionism has appeared again in some counties and this has brought significant uncertainty to the growth of the world economy and trade. China is also inevitably involved in these trade disputes. For example, according to the research from

Minggao Sheng, Yin He(2018), in January 2018, the United States announced a four-year and three-year global safeguards (201 survey) for imported photo voltaic products and large washing machines. In March, the United States imposed a comprehensive tax on imported steel and aluminum products on the grounds for the reason that imported steel and aluminum products threatened US national security. The tax rates were 25% and 10% respectively (232 investigations), but this temporarily excluded from some imported products from Canada and Mexico. On March 22, US President Trump signed a memorandum, based on the 301 investigation report released by the US Trade Representative Office, instructing relevant departments to impose large-scale tariffs on imported goods from China and sun China against on intellectual property issues by WTO, and limited Chinese companies to invest in mergers and acquisitions of US companies. On April 3, the US Trade Representative announced the taxation proposal for the China 301 investigation. The list of taxation product recommendations involves China's approximately US\$50 billion exports products. The proposed tax rate is 25%, covering approximately 1, 300 tax number products. The relevant behavior of the US government have done to China, to a certain degree, has worsened China international trade environment and brought significant uncertainty to the development of China trade and investment.

1. 2. 3 The Policy Environment of China Foreign Trade

From a developing countries with a close door foreign trade policy to the a powerful trading leader in the world, China has experienced many stages of innovation, expansion, deepening and exploration during its development. Those experience of Chinese foreign trade development at each stage reflects the foreign trade objective requirements that China had at that time and all of them played a important role in China foreign trade development. At present, according to LuGuo's (2015) research about the China foreign policy reform major changes have taken place in the international and domestic environment of China's foreign trade developmen, including economic transformation and upgrading, changes in development methods, and the restructuring of the global trade order and trade rules, all of which require a

new round of changes in China's foreign trade system. Therefore, before studying the impact of CBEC on China's foreign trade and economic development, it is of great significance to review and study the evolution of China's foreign trade system.

China foreign trade policy during exploration period of reform(1978-1987)

1978 is the first year of China's opening to the outside world. The content of opening up policy implemented during this period is held great important for China foreign trade development. In summary, its main purpose of its reform is to set up the original foreign trade system and explore a new foreign trade system for China foreign trade. According to the research of LuGuo's (2015), the main content can be divided into four parts:

- ① Reform the foreign trade management system. At this time some organizations and institutions related China foreign trade were established, like China General Administration of Customs, China Import and Export Commodity Inspection Bureau, the Ministry of China Foreign Trade, the Ministry of China Foreign Economic Relations,, the State Administration of Import and Export.
- ② China government has begun to loosen the control of foreign trade in terms of applying simple administration and decentralization For example, the provinces can retain foreign exchange in proportion, and enterprises can retain up to 50%. In addition to those that are prohibited from importing, authorized institutions can freely import non-banned goods.
- ③ Implement of export contract responsibility system. Implement protectionist trade policy which is under state control.
- ④ China government made the propose to "GATT" (formally renamed "WTO" after 1996)

China foreign trade policy during the period of its reform extension (from 1988to 1990)

Based on the foreign trade reform in the previous stage, some key institutional issues have not been completely resolved. Therefore, in February 1988, the China State Council promulgated the "Regulations on Accelerating and Deepening the Reform of Foreign Trade System, " and

decided to fully implement the foreign trade contracting responsibility system and accelerate the foreign trade enterprises to "self-financing, liberalization, industry and trade, and implementation". During this period, four main parts can be found:

① The Contract responsibility system for foreign trade contracting operations was fully implemented.

② Pilot projects for self-financing was carried out in industries of clothing, handicrafts and light industrial.

③ Further narrowing the scope of the mandatory plan commodity.¹⁰

④ China foreign trade management mechanism was changed. The management of China local economic and trade department, and the management of the Ministry of Foreign Trade was changed from the previous be directly controlled to be indirectly controlled.

China foreign trade policy during the period of its deepening reform stage (From 1991 to 1993)

To change the predicament faced by China's foreign trade in the previous stage as soon as possible, the "Decision on Further Reforming and Improving Certain Issues in the Foreign Trade System", which came into effect on January 1, 1991, once again speeds up the pace of reform and opening up.

① The foreign currency exchange rate was adjusted

¹⁰ During that time, China was implementing mandatory economic in export and import, in which the import mandatory plan products accounted for 20%, and the export mandatory plan products accounted for 30%. As of 1988, the proportion of local foreign exchange imports by local authorities has exceeded the proportion of central foreign exchange imports.

② The decentralization of foreign currency exchange rate management get more progress

③ Foreign trade sector system was reformed again. In 1993, the Ministry of Foreign Trade and Economic Cooperation was reorganized into the Ministry of Foreign Economic Cooperation, and the micro-management departments such as the Import and Export Department were revoked.

④ The import and export management system was reformed. The regulations on the classification of export commodities was abolished, and except for a few products that require export control, other foreign trade enterprises were responsible for their own profits and losses.

China foreign trade policy during the period of its reform innovation stage(from 1994 to 2001)

In 1992, the 14th National Congress of the Communist Party of China clearly proposed the goal of China's economic system reform -- the establishment of a socialist market economic system. The "Resolution on Several Issues Concerning the Establishment of a Socialist Market Economic System" adopted by the Third Plenary Session of the 14th Central Committee of the Communist Party of China put forward the basic theoretical framework of the socialist market economic system, so that China can truly get rid of the consciousness of capitalism. In line with this, a new round of reform and innovation has been carried out on the foreign trade system.

① The management system of foreign trade policy reform was deepened. For example, “single, managed floating exchange rate system based on market supply and demand”, the fixed foreign exchange system that has been in operation for 14 years has been cancelled. A unified and standardized foreign exchange market was gradually established and the renminbi convertibility can be realized.

② The legislation process of China foreign trade was accelerated. For example. in May 1994, the Eighth National People's Congress adopted the Law of the People's Republic of China on Foreign Trade, which marked that China's foreign trade has embarked on the track of

legalization. In March 1997, the law about "Anti-dumping and Countervailing Regulations" was promulgated, and China's foreign trade began to operate in a legal environment. China foreign trade administrative system was reformed. ¹¹

③ The key reform of this time is focus on lowering the requirements and examination on the approval of enterprises in terms of gradually liberalizing the scope of trading commodity .

④ International common practices, like the quota system and the license law, and implement export management of different commodities through methods such as bidding and auction, was introduced.

China foreign trade policy during the period of its globalization stage(from 2002 to 2008)

At the end of 2001, China officially became the one of 143th member in the World Trade Organization (WTO). At the same time, globalization has also brought China's foreign trade system closer to the rules of global trade. The various trade systems have emerged with the gradual fulfillment of China's WTO commitments. Here are the main characteristics that China foreign trade has:

① China administrative management system was reformed. In March 2003, in order to better cope with international competition and providing an open, unified, competitive and orderly market system for China foreign trade enterprises, China government has established the Ministry of Commerce to take charge of the external affairs by integrating the functions of the former Ministry of Foreign Trade, Economic Cooperation and the former State Economic and Trade Commission.

② China foreign trade laws and regulations was revised and improved. In accordance with WTO rules, on the basis of the cleanup of relevant domestic laws and regulations, a number

¹¹ Before China's accession to the WTO, the National People's Congress, the State Council, and various national ministries and commissions have revised many standardized China's foreign economic laws, regulations, and rules and regulations in order to meet WTO entry requirements.

of supporting regulations such as the *Regulations on the Administration of Import and Export of Goods of the People's Republic of China* were issued, with the aim of making China's foreign trade conform to both WTO rules and to help the domestic economic development.

③ The management standardization of imported and exported goods was improved. In terms of lowering tariffs, China has gradually lowered tariffs since 2002, in while non-tariff measures were great cut down and quota for agricultural imports was eliminated or replaced them with tariff quotas. From the aspect of import and export management for goods, the implementation of import and export quotas and other systems has adjusted the export tax rebate rate nine times.

④ Market equity was taken into consideration of the implement of China foreign trade reform. In the protection of the development of domestic industries, the main focus of this stage is on enhancing the competitiveness of enterprises;

Generally speaking, after China's accession to the WTO, China foreign trade policy systems are relatively stable, and foreign trade has ushered in a golden period. In 2003 and 2004, China's foreign trade increased by 37. 1% and 35. 7% respectively. At this stage, China's total foreign trade increased from 620. 77 billion U. S. dollars in 2002 to 217. 57 billion U. S. dollars in 2007, of which exports increased from 325. 6 billion U. S. dollars to 1, 220. 46 billion U. S. dollars, and imports increased from 295. 17 billion U. S. dollars to 956. 12 billion U. S. dollars. It is not difficult to find that after China's accession to the WTO, China has gained a broader global market. China's foreign trade has rapidly climbed to the third place in the world and has become a world trade power.

China foreign trade policy during the period of global financial crisis (from 2008 to now)

The international financial crisis erupted in 2008 had a negative impact on the global economic development, especially on developing countries, for example, China has been negatively

affected too. In that circumstances, the Chinese government provided a supply-oriented structural reforms to improve its foreign trade system.

① The management of China traditional international trade was changed. By rethinking the concept of export dependence that had been in effect for more than 30 years, China government decided pay more attention to expanding domestic demand, and establishing systems to increase residents' income to establish a mechanism for stimulating domestic demand and improving social security. Besides, China government also tried to improve the global competitiveness of China's export products by reducing its cost though decreasing the tax burden on foreign export enterprises and constantly improving the export credit insurance system, export tax system, and financing system, and encouraging powerful foreign trade enterprises to continue to expand exports.

② The safeguarding exports policy and expanding import policy were implemented. More tax rebate rate was given to exported product and more policy was implemented to support processing trade enterprises.

③ Overseas investment was encouraged. Taking the “One Belt, One Road” initiative as an opportunity to encourage Chinese enterprises to “go global”, China government has increased overseas investment, promoted the transfer of China's surplus production capacity, continue to increase the market share of Chinese products in the global market, and scientifically respond to trade frictions.

To sum up, based on the above review about China foreign trade policy reform, it can be found that 1978 is a very important year for the development of China foreign trade, from which China government started to implement “going out” trade policy. Until now China foreign trade reform experienced six stages and each of them represents its different requirements and goals that China government tried to meet. From an overall aspect, China foreign trade reform policy was implemented by a slow but stable speed. At the initial stage(1978-1987), the main task behind the policy was to find a new way which can match to China own state situation to

develop its foreign trade and China government start to loosen its overall control on the management of China foreign trade. During this period, contract responsibility system was the main procedure to separate foreign companies self-management and status-dominated management. During the second stage (1988-1990), the extension of China foreign trade policy reform, the main attention was given to the full implementation of contract responsibility system on enterprises and improvement of foreign exchange rate management to increase the amount of Chinese foreign trade enterprises. During the third stage (1991-1993), the implementation of China foreign trade policy was deepened. To change the predicament faced by China's foreign trade in the previous stage as soon as possible, the exchange rate was adjusted, the management of foreign trade was further decentralized, foreign trade sector system was reformed again and the import and export management system was reformed. During the fourth stage (1994-2001), China clearly proposed the goal of China's economic system reform -- the establishment of a socialist market economic system. In order to complete this reform, the reform of the foreign trade management system was deepened, the process of foreign trade legislation was accelerated, China foreign trade administrative system was reformed, also international common practices were introduced, for example, the quota system and the license law, and implement export management of different commodities through methods such as bidding and auction. At this stage, China's foreign trade has demonstrated significant diversification of trade entities, increased trade activities, expanded trade market scale, and enhanced trade vitality. During the fifth stage (2002-2008), China officially became the 143rd member of the World Trade Organization (WTO). The various trade systems have emerged with the gradual fulfillment of China's WTO commitments. For example, China administrative management system was reformed. China foreign trade laws and regulations were revised and improved. The standardization of import and export management of goods was promoted. Market equity was taken into consideration of the implementation of China foreign trade reform. Generally speaking, after China's accession to the WTO, China foreign trade policy systems are relatively stable, and foreign trade has ushered in a golden period. Then during this sixth stage (after 2008) the international financial crisis that erupted in 2008 has had a major impact on the global economic

development. Foreign trade in developed countries, including China, has been negatively affected to varying degrees. In this context, China changed its traditional way foreign trade develops and adjusted its trade policy again by implementing more safeguarding exports and expanding import policies. Beside China government also encourage its overseas investment and take the “One Belt, One Road” initiative as an opportunity to encourage Chinese enterprises to “go global”. In general, the reduction of import demand by countries after the 2008 international financial crisis is an indisputable fact. The "One Belt, One Road" initiative demonstrates China's new round of determination to open up to a higher level.

Summary

In this chapter, in order to have a good understanding about how CBEC works and how to impact on one country’s foreign economic, this chapter is divided into two parts and introduced the general status of global CBEC and China foreign trade respectively. In the part of global CBEC, it introduced what is CBEC by defining it from the aspect of both technology revaluation and international trade innovation. It also introduced the main elements that make CBEC became the main way of today’s international trade and the difference between CBEC and traditional international trade. As it can be found from this chapter, now CBEC is increasingly developing globally. According to the report of Contemporary Logistics in China(2018), CBEC is expected to nearly triple from \$909. 93 billion to \$2. 595 trillion between 2017 and 2021. Among this, China alone will make up 67. 1% of e-commerce sales. For the purpose to study why CBEC can get its fast growth in China not in other developing countries, in the second part of this chapter, it introduced the economic background of China, especially its foreign trade policy which can clearly reflect the way of how China government guide its economic to global economic and become the biggest export country in the world. In this part, it started from the general introduction about economic situation in China and you can find that China economic development, to a larger extent, depends on its foreign trade. China is also an export-dominated trade country and its import trade just services its export, which is normal in developing countries. From a country which closed its door and refused to established any

foreign trade relationship with foreign countries to become the largest trading country in the world, it also can be found that China government's foreign trade policies play an important role in this change. The foreign trade policy can be divided into two main parts : before 1978 and after 1978, which means 1978 is a significant year for the China development. Before 1978, the main aim for China government is to establish self-supply country without depending on imported goods. After 1978, the main aim was to find a right way which matches to China own economic situation to established trade cooperation with other countries. It call this change as China foreign trade policy reform which can be divided into six phases. From this six phase it can be found the different situations and different requirements that China government faced.

2. THE BACKGROUND OF CHINA CBEC AND ITS POLICY ENVIRONMENT

Before the introduce the status of China CBEC, a literature review will help us get a more deeper understanding about, to what an extent the development of China CBEC is now and what the main advantages and shortages it has now.

Different with global scholars' research, Chinese scholars mainly study the detailed impacts that cross border e-commerce impact on China traditional trade, like the change of China's position in global value chain after CBEC booming in China foreign trade. More over, the precise benefits and problem are also the main topics that China cross border e-commerce scholars studied.

As early as the beginning of 2004, CBEC had just started to develop in China. At that time, the academics mainly focused on the new characteristics of CBEC and the comparison between it and traditional e-commerce. More over, why and how the impact of CBEC in China foreign economic was a popular topic for study and most of research results shows positive results. For example, Chang Zheng (2001) found that the adoption of e-commerce helps to improve the level of China's foreign trade through preliminary exploration of the relationship between e-commerce and international trade. ECLAC (2002) believes that the development of information technology reduces the cost of collecting and processing information, thereby promoting the development of domestic and international trade. Hu Jun (2003) analyzes how e-commerce can improve international trade advantages from five aspects: economic globalization, economic restructuring and restructuring, international trade, emerging industries, and factor endowments. For example, E Gomez-Herrera, B Martens, G Turlea (2014) had analysis that compared with traditional international trade, CBEC can greatly decrease distance related trade cost, on the contrary, the trade cost related with languages will be increased correspondingly. Apart from those, e-commerce generated new cost like, Parcel delivery fee and online payment system maintenance fee and so on. Government also accordingly formulated related policies to promote the development of CBEC. This study also shows that using cross-border payment system upgrades efficiently and flexibly can increase the volume of CBEC trade. Apart from those, it also claims that online trade makes the export of English-speaking countries have a comparative advantage. In all, in the early stage of the development of China cross border e-commerce, the literature has not empirically verified the precise effect of cross border e-commerce on the growth of China international trade while focusing on the impact of CBEC on trade distance

and consumer welfare and the benefits and abstracts that cross border e-commerce brought to China international trade. Beside, Chinese scholars also prospected some problems and results that China CBEC would develop to, for example, 3Niklas Aldin, Per-Olof Brehmer, Anders Johansson (2004) studied the commercial development of e-commerce: perfection and repositioning. Based on the marketing and logistics, business development model and the commercial development of e-commerce is proposed. The improvement is done by focusing on the internal efficiency of trade, shorter time and lower cost. Re-positioning includes services that focus on service improvement, image and customer customization. In the future, e-commerce work would need to make full use of the development potential of e-commerce in the context of business development, including structural changes and entering new fields or markets, but China still lacks relatively systematic laws and regulations on CBEC.

As time goes on, the characters like the globalization, virtuality, intangibility and anonymity of CBEC have been impacted on traditional business activities, such as the traditional international tax jurisdiction which be established based on traditional activities of physical existence is not adaptable for CBEC business activities based on virtual online activities. Later following research attention was mainly given to the taxation conflict between traditional taxation system and CBEC activities. For example, international income tax law of international online e-commerce can not cover some related legal problems in reality. The comparative research on foreign-related turnover tax law in the environment of electronic commerce is also be concerted.

After 2010, according to the research topics ,it is easily found that payment issue is the main topic for China CBEC research and logistics issue also be given much more attention. At the same time, China scholars started to research China CBEC from a more comprehensive aspect and their research became much more maturity. From 2014, Since China foreign trade policy was changed and CBEC was regraded as a power to help to change China foreign economic structure. Therefore many research started to turn attention to the influence that CBEC business modes impact on China foreign trade and most of those research are related to Chinese enterprises. For example, Feng Hong (2014) analyzed two new models of foreign trade

transformation and upgrading: CBEC B2C model and integrated service trade model. HE Yong, LI Jun-yang, WU Xue-pin, JIANG Jiao-jiao (2014) analyzed the influence mechanism of e-commerce on trade development from the perspective of circulation economy, and introduced the theory of trade innovation under e-commerce. Yu Fengying (2014) pointed out that foreign trade enterprises under the CBEC environment are characterized by direct sales, small orders and innovation. CBEC promotes the transformation and upgrading of China's foreign trade, helps to increase the added value of products, helps enterprises to effectively use big data, and CBEC can also avoid trade barriers. Fan Wenjing (2015) mainly analyzed the mechanism of CBEC impact on China's trade from the micro, macro and meso levels. Zhang Li (2015) believes that the open equality of the Internet transforms international trade information data into production factors and productivity, and the trade value chain, supply chain and production chain are fully linked, realizing the integration of product value and user value.

At same time, training for talents of CBEC and third party payment platform are also important for development of China CBEC. Therefore it can be found that a lot of articles about those two issues. For example, 2016-2017 is the peak time for China CBEC research and is also the mature stage of CBEC. During those two years, a plenty of articles about how to refine China CBEC system can be found easily. During this period, increasing attention had been given to the era of governmental new policies for the development of China cross institutions border e-commerce, the reform of cross border e-commerce platforms and financial. For example, Mingyu Wang, Wei Liao (2015) conducted a classification of the operational modes of CBEC in China, and put forward corresponding measures for the main existing problems by studying those modes. The article also mainly focuses on issues like logistics and credit security, cross-border payments, and consumer differences. Besides more deeper research about how the supply chain management ability influences the enterprises performance on CBEC platform also can be found. For example, Song Xu and Yanyan Zhang(2015) found that the development of CBEC has gradually changed the traditional operation mode of China's foreign trade enterprises, which has changed the overall layout of China's foreign trade industry chain and

formed a new mode of business. China's CBEC services are already in a leading position in the world in terms of maturity, market potential and influence. However, China's CBEC is still suffering issues like product quality issues, property right, customs clearances, credit mechanisms, logistics and other issues. Relevant government departments should sum up the experience of pilot cities to take measures to promote China's foreign trade enterprises. There are new developments in global trade.

More detailed research related to oversea digital marketing, oversea customers analysis can also be found. Most important, those research is more connected with enterprises' needs in reality not just for focus on theoretical research like before. At same time some new issues presented and corresponding solutions are provided by scholars. For example, there are a lots studies about online dispute resolution mechanism of CBEC in China, and most of them start from the perspective of Haitao and Daigou. Research on the international development of China's Cross-border E-commerce based China's biggest e-commerce platforms like Alibaba and Amazon also can be found.

Among above mentioned existing issues that China's cross border e-commerce face now, the logistics service is the main issue and more articles related it can be found. For example, Zhang Xiaheng and Ma Tianshan (2015) first analyzed the status of China CBEC and China cross-border logistics, and then combined with the new characteristics of CBEC development in the near-stage, and analyzed the risk and problem that would be met in the process of cross border logistics in China and finally put forward targeted countermeasures for these risks and problem like establishing oversea own warehouse.

Recently more precise problem of China cross border e-commerce like logistics service, cross-border payment, consumer differences, product quality and so on has been given more attention to and the corresponding measures are also be given. For example, Yang Jianzheng, Yu Lu (2014) first compiled the information collected by the Ministry of Commerce questionnaire and analyzed the data by using factor analysis. His results show that, on the one hand, most

enterprises in China have a stronger tendency to conduct CBEC transactions on third-party platforms; on the other hand, the use of network marketing is still at the initial stage for China's foreign trade enterprises. There are still some problems in many aspects such as platform electronic payment, cross-border customs clearance, logistics and transportation.

From a more far-reaching perspective, now Chinese scholars turn their attention to the whole effects that CBEC bring to China's whole international trade. For example, based on the analysis of CBEC and trade growth related theories, Chang Cheng (2015) focuses on the relationship between China's CBEC and China trade growth status and development trends. On the one hand, he mainly analyzed qualitative analysis the interaction between the mechanism of foreign trade growth driven by CBEC and the mechanism of foreign trade growth promoted by CBEC; on the other hand, he also did the quantitative analysis of the long-term equilibrium and short-term interaction between CBEC and China's foreign trade growth. Finally, in view of the problems existing in the development of CBEC in China and the empirical research results of the articles, he proposed some countermeasures to apply CBEC to promote the growth of China's foreign trade.

Now how to refine the promotion of China CBEC performance in the world is the main topic for research. Some scholars use SMEs as a perspective to analyze how they use CBEC to achieve their own transformation. However, due to the late status of CBEC in China, relevant research is limited and basically stays at the qualitative level.

2. 1 The General Description of China CBEC

Here will give a detailed description about China CBEC by giving the information of its history, its impact on China foreign trade and its trade volume, products categories and trading partners etc.

2. 1. 1 A Brief History of China CBEC

In recent years, China's E-commerce sector has demonstrated an explosive growth momentum. At the same time, China's CBEC is growing up with the open strategy of "Going global and bringing-in", which has become a new engine of China's economic development. CBEC as a new trade mode in China doesn't have not a very long time development history. According to the research from Yue Huangfei (2017), the development history of China CBEC can be divided into four main phases marked by its milestones and major policies.

The initial Stage of China CBEC (from 1990 to 1999)

In the initial stage of China CBEC from 1990 to 1999, only few innovators and enterprises consider that the traditional international model can be combined with the internet technology and this innovation will bring huge business opportunities and profits to China market. According to statistics from China Statistics Bureau, 5.2% of the current China CBEC platforms were established at this time. Nanjing Focus Technology Development Company¹² as the first B2B E-commerce business in China was established in Southeast University in January 1996. Then the China's first E-commerce website providers followed in 1999, and according to research, most of them now are turned into the mainstay of China's E-commerce today. For example, Alibaba, whose main business was B2B, were also established in 1999, and Dangdang as the first online bookstore service also started its online service at the same time. On 21 June 2000, the China Electronic Commerce Association was officially established, and this marked not only the government recognition of E-commerce as a specific industry, but also represented that CBEC will be a new way of international trade to accelerate the development of China foreign trade. There are some characteristics of China CBEC in this phase : At this time, the CBEC platform is just a platform for providing information for enterprises and products and it does not involve any transaction. Information provided on platform includes value-added services, which is equivalent to displaying goods on the Internet, and bidding rankings, ad marketing, value-added services, and offline services. This main income of platform mainly

¹² The first vertical chemical website in China , directly providing in-depth information on chemicals and related services was launched on October 1997 as China's first vertical B2B site.

relies on collecting information fees, advertising fees and promotion fees. Besides, Internet users in China numbered only four million, limiting the E-commerce market. Second, logistics and distribution networks were not fully in place.

The accelerated develop stage of China CBEC (from 2000-2007)

From 2000 to 2007, the main purpose of China CBEC in this period was not just providing information service but online purchase combined with initial payment system and logistics system. China got its best time to develop CBEC since, according to the research of China Internet Network Information Center (CNNIC), in 2007, the amount of Internet users in China reached 210 million people of which 46.4 million started using online shopping sites that accounted for 22.1%. 56.1 billion yuan was spent in online shopping in 2007. Besides, during this stage, China CBEC was expanded from enterprise services to personal service and had become an important trading channel China international trade companies. It is also an important time the development of online retail. There were a lot of B2C, C2C CBEC companies started their business at this stage. Take Alibaba as an example, in 2003, Alibaba invested 100 million yuan to establish its C2C business model, Taobao. In 2004, a large US B2C, Amazon invested its Joyo Net¹³ for US\$ 75m. At the same time JD established "Jingdong Multimedia Network¹⁴" as the rival to Ali in the B2C sector.

During this stage, both online payment system and logistics system were got attention and get improved since relative government policies was completed, like the "Electronic Signature Law of the People's Republic of China", "online trading platform for self-discipline norms" etc. The promulgation of the those polices marked the shift in China CBEC from the accelerated development stage to the standardization stage soon.

The standardization stage China CBEC(from 2008-2014)

¹³ The Joyo name was subsequently changed to "Amazon"

¹⁴ The initial name JD.com

The standardization stage of China's E-commerce lasted from 2008 to 2014. According to the research from CNNIC, the scale of China's online shopping reached 128.18 billion yuan in 2008 and it increased to 1.3 trillion yuan in 2012. At the same time, policy issued by China government about management system of China CBEC was gradually formed and came into effect. The industrial chain of CBEC in this period has also developed relatively well. Since 2010, various CBEC platforms have continuously increased their efforts to expand the industrial chain and form a one-stop foreign trade service chain. Taking the cross-border communication platform of the integrated service platform as an example, it provides customers with integrated and comprehensive foreign trade services including financing, transportation, insurance, warehousing, foreign trade document production, customs declaration, commodity inspection, customs clearance, verification and tax refund. Besides, as global internet users increasing and the system of payment and logistics in CBEC, the B2C and C2C of China CBEC found its right time and became booming. This is because since 2007, various e-commerce platforms had started strategic cooperation with logistics companies, banks and other departments. The CBEC B2B platform had grown steadily, and the CBEC B2C export platform had gradually started and entered a period of rapid development. Since CBEC retail business became a new model to further open overseas markets. A large number of SMEs in China and network operators began to directly participate in international trade, which was also undergoing tremendous changes. During this phase of China CBEC, the CBEC profit model has shifted to relying on commissions and providing Internet financial services. Also foreign trade companies in this stage generally reach transactions through two channels: one is the platform entry mode, the online shop is established on the third-party platform, and the platform is only used for cross-border transactions. The representative of this kind of CBEC platform is DUGate.com; The self-operated e-commerce model, like Lightinthebox.com, builds its own brand through self-built websites, and gradually promotes the network. The profit comes from the price difference between selling and purchasing. Those can be explained in Chapter 2.3.

The globalization stage of China CBEC (from 2014 to present)

From 2011 to present, the user group of CBEC has undergone a major transformation. Factories and foreign trade companies have gradually become the main user groups of CBEC platforms. CBEC was becoming a new mode of foreign trade. With the continuous expansion of China's "Hao Tao"¹⁵ scale, in order to meet the consumption upgrading needs of domestic consumers and regulate the development of the industry, in 2014 the Chinese government introduced relevant policies for CBEC retail import business (More information can be provided in Chapter 3) which promoted the rapid development of this model. A large number of CBEC retail sales platforms saw explosive growth during this period, such as Tamll, HK, Kaola, Jumei, Matou, and Red. The majority of domestic business platforms carried out their own global capital development strategy. By taking the help of related government policies, most regions in China implemented a CBEC development strategy in 2014. For example, Zhejiang Province, for instance, established a CBEC work mechanism, with Hangzhou and Ningbo as the main pilots for a management system and set of rules on global CBEC, especially a "single window" for logistical and legal matters. Guangzhou Province created the first CBEC model city in South China.

It could be said that 2014 was the most influential year for China CBEC. The local government formulated a special Refund Guarantee Fund to support cross-border E-commerce. Fujian Province's "Cross-border trade E-commerce work implementation programme in Fujian Province" focused on the implementation of E-commerce cooperation between Fujian and Taiwan. Gansu Province established a CBEC platform to create an "online Silk Road" selling special local products with the support of Holmes Border Cooperation Center and so on. In 2015, to accelerate the development of China CBEC, the State Council issued "Guidance on the promotion of CBEC healthy and rapid development". Followed by the China's participation in drafting the working group's "CBEC Transaction Dispute Resolution: Rules of Procedure" and the "Asia-Pacific Economic Cooperation and Development Initiative for E-commerce" at the 22nd APEC Economic Leaders', China CBEC had a speedy and health development stage.

¹⁵ A kind of C2C oversea transaction.

According to the report from China In 2015, even though the total volume of China import and export trade declined 1. 7% drop in export trade and 13. 2% drop in import trade because of the negative influence of international economics and the transformation of domestic economics. However, China CBEC was still keep growing and the proportion of it in import and export trade was continually increasing. It was estimated in 2020 China cross- border E-commerce transaction scale will be 12 trillion yuan RMB and compound annual growth rate will be 20. 1%

2. 1. 2 The Main Impacts that CBEC on China Foreign Trade

As a new foreign trade model, CBEC has shown its new vitality under the situation that China's import and export trade growth rate has declined in 2008 and China's CBEC growth rate in 2009 was 16. 7%. In the same period, foreign trade volume fell significantly under the influence of the global financial crisis and the European debt crisis, down 13 percentage points year-on-year. Apart from those, according to the research from Jie Wu. (2017), China CBEC effectively reduced the intermediate links, reshaped the international industrial chain, and maintained rapid growth under the conditions of global trade recession with low cost and high efficiency. For example ,from 2012 to 2015, due to the sluggish external demand, the trade friction against China economics growth in terms of the reduction of both the traditional import and export. In 2015, China foreign trade volume dropped by 4. 8% year-on-year, while China CBEC continued to grow at a high speed and successfully promote China's foreign trade with a growth rate of 28. 6%. Although CBEC is growing at a high speed, it accounts for a relatively small proportion of import and export trade. In 2008, CBEC penetration rate was 3. 6%. With the gradual growth of CBEC market and China government policy support, CBEC penetration rate has risen to occupy 18. 6% of China foreign trade in 2015, and now near 40% in 2018, it has become a new growth point for China's foreign trade. In the research of Wei Jian(2018), the main reasons why CBEC can successfully developed in China as follows:

Firstly, due to the rapid development of the Internet, China has formed a large number of online consumers.

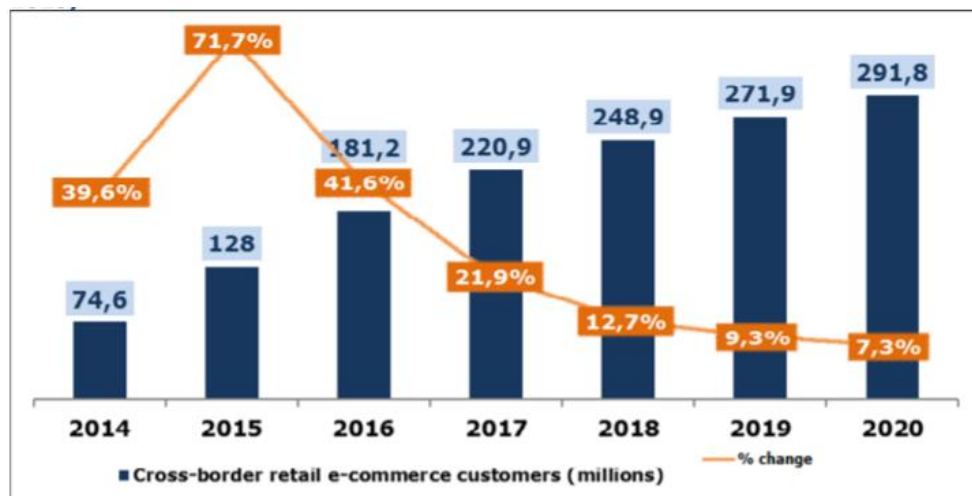


Figure 5: CBEC Retail Customers in China (2014-2020)

Source: eMarketer and Alizila (Alibaba group)

As it can be found from above chart 2. 1, the population of China CBEC turns an up trend from 2014 to 2020 even with a down trend of change rate, which means CBEC market is going to be saturated in near future. The figure of CBEC retail customers in China is expected to grow up to 291. 8 millions in 2020 and this means 20% Chinese will chose to shopping on CBEC platform. Since CBEC platforms are simple and use-friendly beside there are a number of small and medium-sized foreign trade enterprises in China, which provides a precondition for those SME to develop their business on China CBEC platform. Besides, China's comprehensive Internet infrastructure provides unprecedented opportunities for China's CBEC development. Secondly, China domestic market can not meet Chinese increasingly diversified consumer demand. This because with the development of China's economy, the Chinese people's living standards continue to improve, that is, people's purchasing power continues to increase as well. However, China's domestic product quality can not meet the Chinese people's increasing requirements of goods. This has led to that more and more Chinese start to purchase foreign goods with high-quality and more guarantee through various channels, this promotes the development of CBEC, especially the development of China import CBEC.

Thirdly, the background of China's manufacturing powers has enabled the Chinese government to focus on cultivating this new trade model to transfer its excess manufacture capacity. CBEC has become an important new foreign trade method for Chinese companies to cope with fierce international competition and the decline trend of relative advantages caused by rising labor costs. The Chinese state is currently supporting the development of CBEC. It is manifested in the issuance of new laws, regulations and policies on customs, inspection and quarantine, taxation and collection and payment, and clearly stipulates the responsibilities of various entities in CBEC trade. The first batch of CBEC service pilot cities established in practice in Hangzhou, Ningbo, Shanghai, Zhengzhou, Chongqing and Guangzhou marked the beginning of a new development stage for CBEC in China. Afterwards, Tianjin, Shenzhen, Harbin and other cities have also been approved as pilots for CBEC services. This shows that CBEC, as a new model to further promote the development of foreign trade, can make up for the shortcomings of traditional Chinese trade, contribute to the preservation of the overall trade level, and further promote the development of China's foreign trade.

According to Wenjing Yu's(2016) study, from the point of view of microeconomics, it was found that CBEC can make a positive influence on the development of information industry, foreign investment and oversea logistics, therefore it can greatly improve the operation efficiency of China foreign trade. It is also supposed that China CBEC can create a positive impact on the recombination of China foreign trade industrial chain and result in a more advanced economies of scale in the near future. From the macroeconomics perspective, CBEC also lead to some issues, for example,issue like infringing upon intellectual property. The security of payment is also potential risk for the cross-border fund flow since CBEC platform lack of a good credit evaluation system. There are also some problem like lacking of relative talents to advance its development and how to supervise enterprise actions under CBEC. Here are three main characteristics that can be listed from above mentioned research on the impacts that CBEC create on China foreign trade.

- ① China foreign industrial chain was extended .

This can be explained that though some big China CBEC enterprises and platforms, the development of international marketing, oversea logistics, cross-border payment system was accelerated, besides, more new business opportunities about international financial service and platform operation, international insurance service etc. will be created. Those will promote China foreign trade's development by integrating resources from different industries and providing more integrated service.

② The targeted market for China foreign trade companies was enlarged.

This can be explained that in the future America and the UK, and EU will still the main markets for China foreign trade companies, but according to the research of Yushan Hou (2018) , India, Russia and Brazil as emerging markets with increasing demand for China CBEC enterprises also will bring new opportunity for China foreign trade.

③ CBEC changes China international trade channels to mobile devices.

This can be explained that as the development of mobile technology and mobile equipment, new sales channels for B2C and B2B CBEC business can be down on mobile devices rather than PC .

Those new characteristics can explain that CBEC bring new opportunity and challenges to the development of China foreign trade. In the fourth chapter, more details about this topic can be given as well.

2. 1. 3 Transaction scale of China CBEC

According to the research from Jie Han (2018), the development of e-commerce in China has made a significant progress. In 2010, the growth rate of CBEC was 41%, which was the highest growth rate in history. The CBEC transaction volume in 2011 and 2012 was 1. 8 trillion yuan and 2. 3 trillion yuan respectively; The CBEC transaction volume was in 2013, it exceeded 3. 1 trillion yuan, and in 2014 it broke through 4 trillion yuan, reaching 4. 2 trillion yuan; in 2015, the CBEC transaction volume was 5. 4 trillion yuan. In 2016, China's CBEC transaction scale

reached 6.7 trillion yuan. As shown in Figure 6. In recent years, the average annual growth rate of CBEC transactions in China is around 30%, which is much higher than the growth rate of China's foreign trade during the same period. According to the data analysis in the first half of 2017, the development status of China's electronics and CBEC-based Pratt & Whitney trade in 2017 is still relatively high.

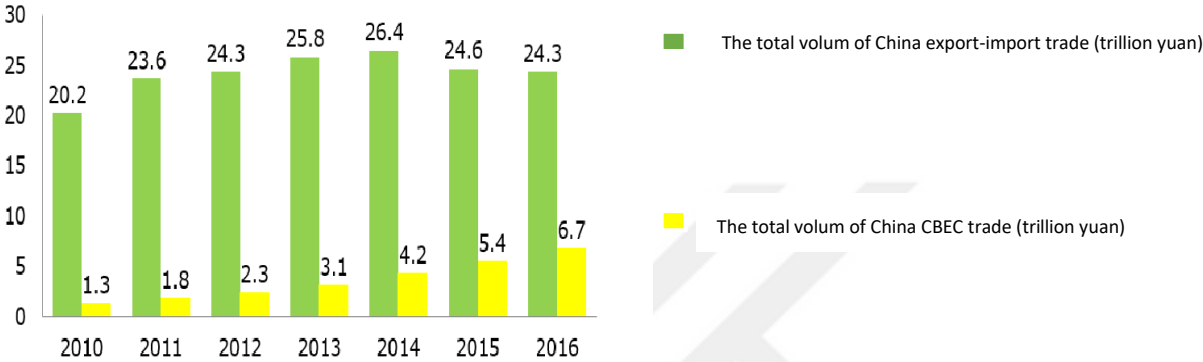
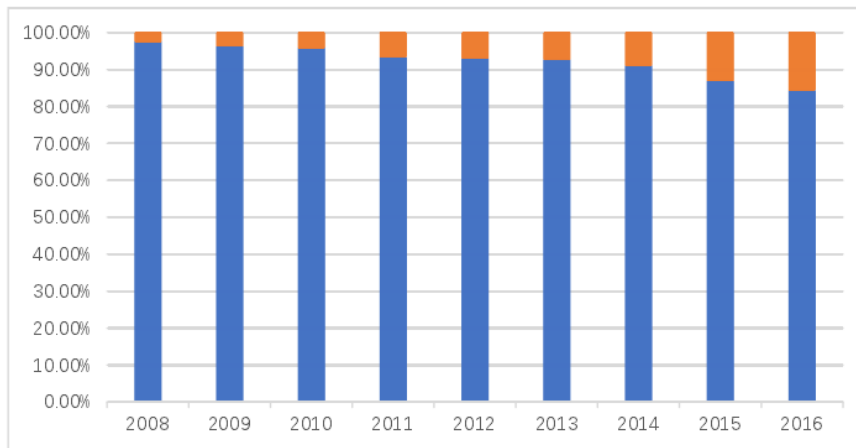


Figure 6: Transaction Scale of China’s Foreign Trade and CBEC from 2010 to 2016

Resource : www.Iresearch.com.cn

Besides, the size of Chinese CBEC export transactions for 2018 reached to reach 7.9 trillion yuan (1.2 trillion U. S. dollars), a rise of 25 percent or 1.6 trillion yuan (235.6 billion U. S. dollars) from a year ago, according to a whitepaper released by market research company

As Figure 7 shows that the main part of China CBEC is export CBEC and its proportion is always over 80% even though its shown a down trend from 2008. While the import CBEC has been kept increasing with a very fast growth speed. The proportion of export to import in China CBEC is near to that of general China foreign trade. Therefore, it can infer that the transaction scale structure of China CBEC actually is similar to that of China general foreign trade.



■ The proportion of China Import CBEC

Figure 7: The Transaction Scale Structure of China CBEC from 2008-2016

Resource: ministry of commerce of the people's republic of China

<http://www.mofcom.gov.cn/>

● Transaction Scale of China Export CBEC

As shown in the figure 8, from the perspective of market size, China's CBEC in 2008-2016, affected by the international environment, the volume of commercial export transactions continued to rise, and the growth rate once rose to 41.79%, and the development trend was positive. Taken the development trend of China import and export transaction structure into consideration, China's CBEC included 84.4% of exports and 15.6% of imports in 2016. During 2008-2016, due to the diversified needs of domestic consumers, the proportion of imports CBEC has gradually increased, but export cross-border still have an absolute dominated part in China CBEC, because the main form of export B2B is characterized by large quantities, small batches and concentrated orders. With the support of the country and the support of the international environment, it foresaw that the future development of China CBEC will be much more completed and positive.

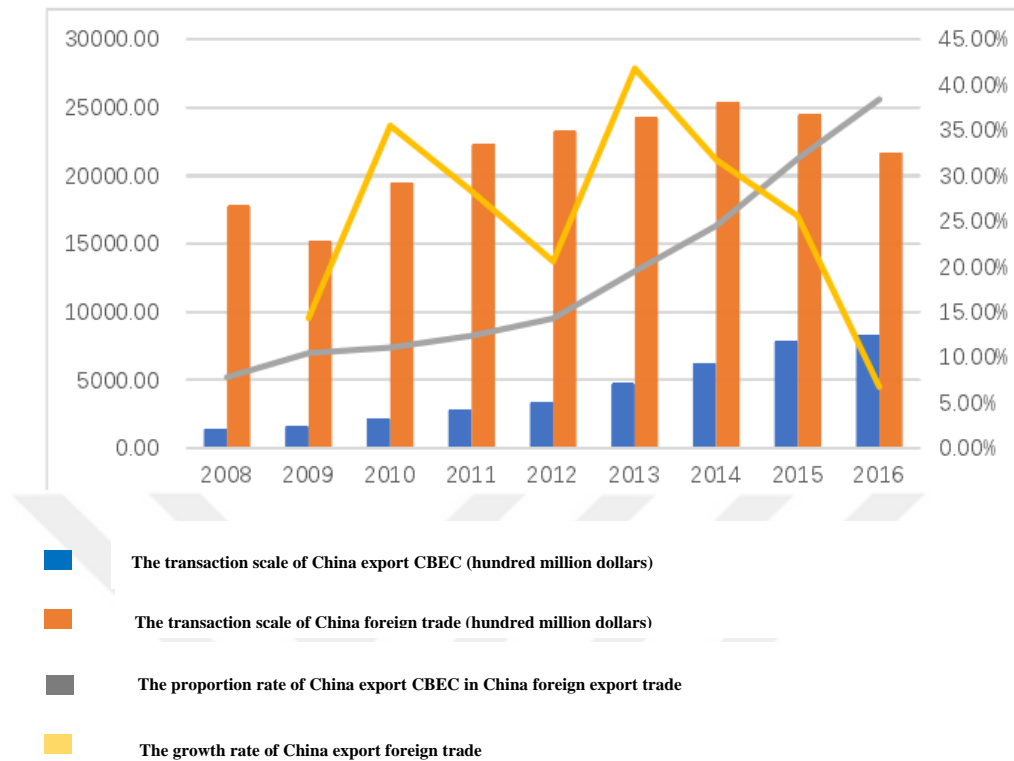


Figure 8: The Transaction of China Export Foreign Trade and China Export CBEC Trade from 2008-2016

Resource: International Trade Statistics Database

2. 1. 4 Product Categories and Trade Partners of China CBEC

As the biggest manufacture country in the world, the products made in China can be covered all kinds of goods and be traded all over the world. However, different from traditional trade, the goods categories are much diversity. Those because some of goods can get good price under the condition of CBEC or some of goods is not suitable to cross-border delivery. Also some goods can not be sold on other countries because of the intellectual property right. Besides, the variety of goods in export and import of China CBEC are also not same, more details as following.

- **Product Categories and Trade Partners of China Export CBEC**

According to the report issued by China’s Customs Administration(2017), in 2017, the main export product categories of China CBEC were mainly distributed in(as following chart):

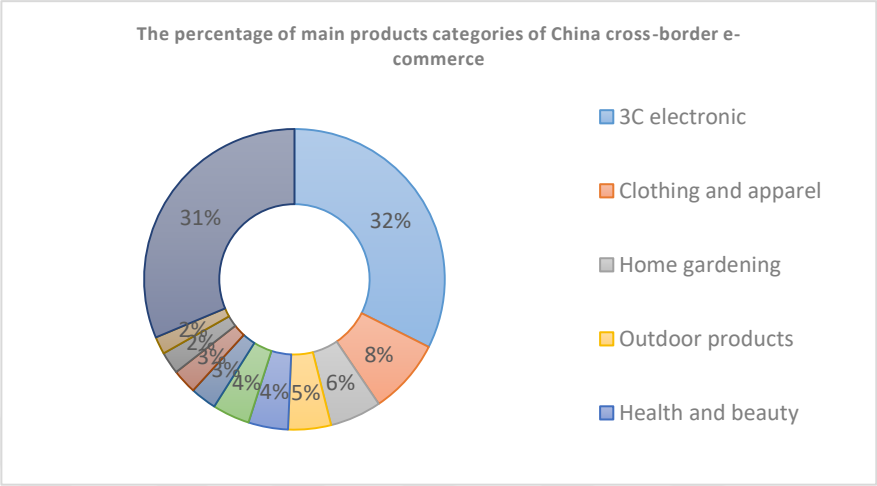


Figure 9: The Percentage of Main Products Categories of China CBEC

Source: own

As it shown in Figure 9, 3C electronic products like computing, communication, and consumer accounts 32% of total amount as the largest part of China CBEC. For example, selfie-stick is certainly the bestselling product of 2015. In addition, aerial photography devices, VR glasses are also popular items that had rapid growth, they are still in the early stages of their product life cycle and will continue to grow in popularity. This can be explained that China as a "world factory" with its low-cost, high-efficiency manufacturing advantages, and it has obvious advantages in the production of textile and apparel products and 3C electronic products. As standardized products, electronic products have obvious advantages in China's supply chain. From the supply aspect, 3c electronic products production is easy to form economies of scale since its weight is small, its value is high, and its logistics cost is relatively low, which is suitable for CBEC sales. Farther more, according to 2016 China CBEC report, there are much more emerging product categories continue to emerge in China CBEC market and this can create incremental growth for China development. Since global consumer demand has changed rapidly because global technological innovation has been accelerated and therefore new product

demands have been raised correspondingly, this result in differentiated sub-categories abroad have yet to be expanded.

From figure 9 ,it can be found that clothing and apparel products(9. 5%) is the second largest part of China export CBEC and the third one is home gardening products (6. 5%). Outdoor products occupy 5. 4% of in all, one major product that performed remarkably is the self-balancing scooter (hover board). As each item's unit cost is relatively higher, it has also driven outdoor sports to be one of the fastest growing categories. However, as incidents have prompted the need for improved product safety, manufacturers will have to make improvements accordingly, to fulfill any policy requirements. Health and beauty products(5%) and shoes and hats products (4. 7%) are also an increasing parts in recent years. Maternity Items & Children Toys accounts 3. 3% of all and it catered to different age groups, follow the trends in cartoons and animation closely. Branding and maintaining high-quality products are the major guidelines for development in this sector. Auto parts (3. 1%) and lighting (2. 8%) which are main a larger part in traditional China foreign trade but in China CBEC it plays a smart part, and there is a trend of increased emphasis on branding, in addition, as overseas logistics players have lowered the costs of shipping, pricing can be improved as costs are lowered. Products are delivered in a shorter time, enhancing the overall experience for consumers. Besides, safety monitoring (2. 2%), other (36. 7%) are also the main products categories that foreign customers buy from China CBEC platforms.

Among those products, consumer goods such as clothing and apparel, electronic products, and maternal and child toys occupy a large share since those goods are not strictly influenced by bands difference which means brand diversity of those products has a smaller impact on customers choices.

Table 6: Best Performing Business Sector of Key Market Players

	Tmall	JD.com	Vipshop	Yihaodian	Sunning	Jumei	Amazon.cn
Apparel shoes,bags.jewelry	33.5%	2.4%	2.6%	0.2%	-	-	0.2%
Household appliance	13.1%	51.9%	0.6%	1.4%	9.5%	-	0.5%
3C products	10.4%	54.8%	0.1%	1.4%	9.5%	-	7.4%
Cosmetics	23.4%	7.9%	1.6%	0.8%	0.2%	11.8%	0.3%
Personal care	22.4%	25.6%	0.5%	15.4%	0.5%	2.9%	2.0%
Baby products	34.6%	13.0%	0.1%	2.0%	0.8%	-	0.4%
Food	33.1%	5.2%	-	12.4%	0.2%	-	0.3%

Source:e100.com

China's CBEC partners span more than 220 countries and regions around the world, including both developed and developing nations. Due to the unique traits of export e-commerce and expertise in the B2B sector, China's leading major partners in CBEC are comprised mainly of developed countries, this proclivity is related to the massive market size of developed countries, and their matured environment conducive for e-commerce.

Table 7: China CBEC (Export B2B), top 10 major trade partners

Rank	Trade Volume	Rank	Trade Volume	Rank	Trade Growth	Rank	Trade Growth
1	United States	11	Australia	1	Latvia	11	Spain
2	Russia	12	Ukraine	2	Slovakia	12	Lebanon
3	Brazil	13	Italy	3	Chile	13	Peru
4	Spain	14	Turkey	4	Bulgaria	14	Belgium
5	United Kingdom	15	Poland	5	Slovenia	15	Hungary
6	Canada	16	Kazakhstan	6	Lithuania	16	Greece
7	France	17	Netherlands	7	Korea	17	Austria
8	Israel	18	Sweden	8	Kazakhstan	18	Romania
9	Belarus	19	Czech Republic	9	India	19	Portugal
10	Chile	20	Germany	10	Moldova	20	Estonia

Resource:DHgate. com

According to statistics from the National Bureau of Statistics(2018) , China's CBEC exports in 2014 were mainly distributed in the United States, the European Union and neighboring countries and regions in Asia. Among them, the United States and the European Union accounted for a relatively low proportion of 21. 9% and 20. 5% respectively. The scale of CBEC exports to neighboring countries in Asia reached 57. 5%, of which China's Xiang Zhan and ASEAN were higher, reaching 20. 1% and 15. 1% respectively; Japan, South Korea, India In Russia, in recent years, mature foreign markets represented by the United States, Germany, the United Kingdom, and Australia have strong per capita purchasing power, mature consumption habits, and perfect logistics facilities. China's CBEC export retail industry development. In addition, emerging countries such as Russia and Jixi have developed rapidly and have shown tremendous growth potential.

● **Product Categories and Trade Partners of China Import CBEC**

According to the report of the Fengshi Group Research Center, it is pointed out that Chinese consumers pay more attention to product safety and the young generation around 25-35 whose have a high consumption ability are likely to buy imported products, since imported products have long been considered more secure than national goods in terms of quality. According to the report issued by Ministry of Commerce of the People's Republic of China International Trade and Economic Cooperation Research Institute,R,(2018), it showed that the categories that consumers buy through cross-border import e-commerce platforms from March 2017 to March 2018, with food (55%), beauty cosmetics (49%), clothing shoes and bags being the most common. Purchase category. And the most popular 5 import countries are: Japan, American, South Korea, Australia and German.

2. 2 The Policy Environment for China CBEC Development

As the booming of CBEC draws increasing attention from the government, many policies for supporting CBEC have been introduced with the aim of propelling the further growth of international trade. Since 2012, China has promulgated a series of laws and regulations on CBEC and chosen the regulatory principles of compliance and appropriate principles, which means that on the one hand, it promotes the development of the CBEC and encourages industry innovation, and on the other hand, the regulatory mechanism is combined with the traditional trade supervision mechanism. With the development of CBEC, China's future regulatory system will continue to improve.

According to Yan Ma(2018) study, the rapid development of China's CBEC industry is inseparable from the support of Chinese government policies. Since the Ministry of Commerce promulgated the “Opinions on the Use of E-Commerce Platforms for Foreign Trade” in August 2012 and later several important departments of the country have successively issue corresponding policies to support the development of cross-border export e-commerce. These policies cover all aspects of CBEC, from the overall system and environmental construction,

such as piloting CBEC comprehensive pilot zones, to specific aspects of CBEC, such as taxation, payment, customs clearance, overseas warehouses, etc. even remove obstacles for the development of cross-border export e-commerce and create various favorable conditions to promote its rapid development.

This chapter will focus on the introduction of China's CBEC policy environment, the analysis of CBEC related policies for import and export, and give advice for the future development of China's CBEC policy.

2. 2. 1 The Introduction about the Authorities which Issued the Policies for China CBEC

From September 2013, the Ministry of Commerce and the General Administration of Customs and other eight ministries and commissions, on the implementation of the policy of supporting CBEC and zero export policies, have pointed out the direction for the development of CBEC, and stated that China CBEC has an important and far-reaching advantages for the transformation and upgrading of China foreign trade. From the State Council to the relevant ministries and commissions, there are also a number of supporting policy measures for the CBEC development.

According to existing policies, the main purpose of the work of relevant departments is to vigorously support the development of CBEC and actively guide to improve its operation standardization. At present, the departments involved in CBEC policy development include: the State Council, the General Administration of Customs, the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Finance, the State Administration of Taxation, the State Administration for Industry and Commerce, the General Administration of Quality Supervision, the People's Bank of China, and the State Administration of Foreign Exchange.

The State Council

The State Council is the main formulator of the policy guidance on CBEC related policies.

Since the first year of China CBEC development in 2013, the State Council has successively issued policy to approve CBEC comprehensive test zones by requiring all departments to implement CBEC related business infrastructure construction, regulatory facilities, and the process of optimizing and improving payment, taxation, settlement, verification, customs clearance, etc.



Table 8: 2013-2017 China CBEC Policies Issued by State Council

Time	Theme	Policy name	Policy type
2013/8	Requirements for other department	Notice on Implementing Policy Opinions on Supporting CBEC Retail Exports	Policy guidance
2014/5	To enhance Infrastructure	Several Opinions on Supporting Stable Growth in Foreign Trade	Policy guidance
2015/3	To approve test area	Reply of the State Council on Agreeing to Establish China (Hangzhou) CBEC Comprehensive Experimental Zone	Policy Support
2015/5	To raise efficiency	"Opinions on Vigorously Developing CBEC to Accelerate the Cultivation of New Economic Dynamics"	Policy Support
2015/6	To optimize process	"The State Council executive meeting, deployment to promote the healthy and rapid development of CBEC"	Policy Support
2015/6	To enhance infrastructure	"Guiding Opinions on Promoting the Healthy and Rapid Development of CBEC"	Policy guidance
2016/1	To approve test area	Reply of the State Council on agreeing to establish a CBEC comprehensive pilot zone in 12 cities including Tianjin	Policy guidance
2016/5	To Support new formats	"Several Opinions of the State Council on Promoting the Stabilization of Foreign Trade"	Policy guidance
2017/11	To reduce import tax rate	"Notice of the State Council Tariff Rate on the Adjustment of Import Tariffs for Certain Consumer Goods"	Policy Support

Source: China Electronic Commerce Research Center (2018)

The General Administration of Customs

The General Administration of Customs plays an important role of the development of CBEC, especially for the customs clearance process, specific measures include improving customs clearance efficiency, regulating customs clearance procedures, and combating illegal import and export. At the same time, the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Commerce, the General Administration of Quality Supervision, Inspection and Quarantine, and other departments and commissions have formulated corresponding policies based on the guidance.

Table 9:China CBEC policies issued by China Customs Administration during 2014-20

Time	Theme	Policy name	Propose
2014/7	To enhance supervision	Announcement on Regulating Issues Concerning CBEC Import and Export Goods and Articles	Policy normalization
2014/8	To enhance supervision	Announcement of the General Administration of Customs on Adding Customs Supervision Codes	Policy normalization
2015/5	To improve efficiency	Notice of the General Administration of Customs on Adjusting the Customs Operation Time and Customs Time Limit Requirements for CBEC	Policy support
2015/9	To enhance supervision	Letter on Strengthening the Supervision of Online Purchase Bonded Imports in CBEC	Policy normalization
2015/10	For pilot project	Report of the General Administration of Customs on the pilot project of CBEC services in Tianjin	Policy support
2015/12	To improve efficiency	Report on Matters Related to Paperless Customization of Import and Export Customs Declaration Forms and Cancellation of Business	Policy support
2016/4	To enhance supervision	Announcement on Regulatory Issues Concerning CBEC Retail Import and Export Commodities	Policy normalization
2016/5	To postpone policy	Notice of the General Administration of Customs on matters relating to the implementation of new regulatory requirements for CBEC retail imports	Policy support
2016/7	To definite price for tax	Notice of the Customs Bureau and the Trade and Industry Department on the Relevant Issues Concerning Defining the Duty-	Policy normalization

	assessment	paid Price of CBEC Import Commodities	
2016/10	For informatization	Announcement on the Intervention of Enterprises in the Unified Information System for CBEC Imports	Policy normalization
2016/12	To enhance supervision	Announcement on Adding Customs Supervision Codes	Policy normalization
2017/8	To improve efficiency	"Administrative Measures for Customs Supervision Sites"	Policy support

Source: China Electronic Commerce Research Center (2018)

Other departments

Since the CBEC industry involves various business sectors of one country, so in addition to the State Council and the General Administration of Customs, the Ministry of Commerce, the General Administration of Quality Supervision, Inspection and Quarantine and other government departments have also introduced or participated in the introduction of relevant CBEC policies. Relevant national departments involved include: National Development and Reform Commission, Ministry of Finance, Ministry of Industry and Information Technology, Ministry of Agriculture, Ministry of Commerce, State Administration of Taxation, General Administration of Quality Supervision, Inspection and Quarantine, Food and Drug Administration, Ministry of Transport, State Administration for Industry and Commerce, State Post Bureau, State Administration of Foreign Exchange in total 17 departments, including the Bureau, the People's Bank of China, the China Banking Regulatory Commission, the Central Network Information Office, the Office of Management, and National Cryptography Authority. Each department has given relevant policies and measures to introduce or participate in the support or supervision of the CBEC industry from the perspective of its own business. The introduction of these policies and measures has greatly promoted the development of CBEC industry.

Table 10: China CBEC Policies Issued by Ministry of Commerce and Other Departments during 2013-2017

Time	Theme	Policy name	Propose
2013/ 2	For foreign exchange payment pilot	"Guiding Opinions on the CBEC Foreign Exchange Payment operation of Payment Organizations"	Policy Support
2015/ 1	To open Foreign exchange purchase	"Guiding Opinions on the Cross-border Foreign Exchange Payment Business of Payment Organizations"	Policy Support
2015/ 1	To increase online shopping limit	Notice on Launching a Pilot Program for Cross-border Foreign Exchange Payment Services of Payment Agencies	Policy Support
2015/ 5	Product list	"Opinions on Further Developing the Role of Quality Inspection and Quarantine Functions to Promote the Development of CBEC"	Policy Support
2015/ 5	To improve infrastructure	"Internet + Circulation" Action Plan	Policy Support
2015/ 6	To enhance the efficiency	"Guiding Opinions on Strengthening the Inspection and Supervision of CBEC Import and Export Consumer Goods"	Policy Support
2015/ 7	To enhance the efficiency	Opinions on Supporting the Development of China (Hangzhou) CBEC Comprehensive Pilot Zone	Norms of policy
2015/ 10	To enhance the efficiency	"Detailed Management Rules for CBEC Imported Food Safety under the Online Purchase Bonded Mode (Draft for Comment)"	Norms of policy
2016/ 5	Postpone execution	"Commerce Department Talk"	Policy support
2016/ 2	Increase tax exemption limit	Policy Notice on Entry Duty Free Shops on import port	Policy support

2016/ 3	Cross-border transaction limit	Notice on the Taxation Policy for CBEC Retail Imports	Policy support
2016/ 4	Product list	Announcement on the publication of a list of CBEC retail imports。	Norms of policy
2016/ 4	Product list remarks specification	Description of the commodity remarks in the List of CBEC Retail Import Commodities	Norms of policy
2016/ 4	Product list	Announcement on the publication of the list of CBEC retail imports (second batch)	Norms of policy
2016/ 4	Specification for Product list remarks	Description of the remarks on the goods in the "List of CBEC Retail Imports" (Second Batch)	Norms of policy
2016/ 5	To enhance the efficiency	Explanation of the Quality Inspection Bureau on the CBEC Retail Import Customs Clearance Policy	Policy support
2017/ 6	To enhance the efficiency	"AQSIQ's Data Access Specification for CBEC Retail Import Inspection and Quarantine Information Management System	Norms of policy

Source: China Electronic Commerce Research Center(2018)

2. 2. 2 Pilot Cities for Testing New Policy of China CBEC

As the need of CBEC policy's implement increasing, China government decided to select some pilot cities on a small scale to carry out the cross-border policies before government completely expand the scope of policy implementation to whole country, which means the policy effect that shown by pilot cities will be helpful and instructive for the government to adjust future policy. At present, the pilot cities for CBEC policy implementation include the "CBEC Pilot City" led by the General Administration of Customs and the "CBEC Comprehensive Experimental Zone" led by the State Council, both of which are selected regions with better foreign trade development environment. There is overlap in the choice of cities, but the latter

is an upgraded version of the former, which is more standardized and mature now in the implementation of specific work.

Since the launch of the CBEC pilot cities led by the General Administration of Customs, which has expanded its implementation policy, it has expanded to more than 20 cities from December 2012. These cities rely on the advantages of electronic port construction mechanism and platforms to establish business collaboration and data sharing between CBEC enterprises and set up port management related departments; Some important operating platforms include Chongqing's "e-point" and Shanghai's "cross-border communication". "Ningbo's "cross-border purchase", Hangzhou's "one-step", Zhengzhou's "E-trade".

Table 11 : Pilot cities list of China CBEC

	City	Approval time	Export pilot cities	Import pilot cities
Pilot cities of the first time	Chongqing	2012/12	√	√
	shanghai	2012/12	√	√
	Ningbo	2012/12	√	√
	Hangzhou	2012/12	√	√
	Zhengzhou	2012/12	√	√
	Guangzhou	2012/12	√	√
	Suzhou	2013. /9	√	×
	Changsha	2014/1	√	×
	Yingchuan	2014/1	√	×
	Qingdao	2014/2	√	×
	Haerbing	2014/2	√	×

Gradually promoted	Dudanjiang	2014/2	√	×
	Yantai	2014/3	√	×
	Xi an	2014/3	√	×
	Changshun	2014/5	√	×
	Shenzhen	2014/7	√	√
	Suifenhe	2014/8	√	×
	Zhangjiagang	2015/9	√	×
Recent new pilot cities	Tianjin	2015/10	√	√
	Fuzhou	2016/1	√	√
	Pingtian	2016/1	√	√
	Hefei	2016/1	√	√
	Chendu	2016/1	√	√
	Dalian	2016/1	√	√

Source: China Electronic Commerce Research Center (2018)

As what above table show, the number of export pilot cities is larger than that of import pilot cities, which means that the General Administration of Customs is more open to export business and this match for the general situation of China international trade. In addition, in September 2015, the General Administration of Customs issued 15 articles on the “2009 China CBEC Policy Research Report”, “Letter on Strengthening CBEC E-Commerce Online Bonded Import Supervision”, requiring pilot cities to strictly follow existing policies. The implementation of the rules shall not be normalized, and the cross-border bonded import must be defined as the customs-specific supervision area or the bonded logistics center of the CBEC pilot city, which will crack down on the irregular behavior in the online shopping bonded pilot. The CBEC policy

will be fully implemented. With the rapid growth, CBEC has also put forward new demands for platforms, logistics, payment, customs clearance, etc. “Convenient, fast, and linkage” has become the its development slogan. CBEC first pilots started in 7 cities including Shanghai, Hangzhou, Ningbo, Chongqing, Zhengzhou, Guangzhou and Shenzhen, and subsequently extended to 15 cities. With the full deployment of the pilot cities, the customs will carry out CBEC trade statistics, and the related supporting policies will also serve the enterprises more accurately to create a better policy environment for their development, and the future CBEC will in China, it has been fully promoted.

To sum up . It can be seen that according to the policies introduced above on CBEC in recent years, the policies of China CBEC can be divided into two types: normative and efficiency-enhancing policies. CBEC norms and pushes are parallel. In recent years, normative policies and efficiency-enhancing policies have continued to be successively implemented. The normative policies guaranteed the healthy development of China CBEC industry. The State Council and the General Administration of Customs have issued documents to clarify the characteristics of CBEC exports and define regulatory boundaries. By encouraging cross-border exports, they gradually explored the law of cross-border import supervision and severely cracked down on the brush. In addition to successful implement the pilot policies, the state has also actively promoted cross-border settlement and customs clearance services. The SAFE has set up payment pilots, and the customs has commissioned 365 days × 24 hours customs clearance arrangements, and actively encourages enterprises to establish overseas warehousing and enhance China's cross-border export strength.

2. 3 The Analysis about China CBEC Policies

Here just focus on the analysis of China CBEC policies by studying what impacts of those polices created on China CBEC and what the Chinese government’s purpose behind those polices.

- **The Analysis about China export CBEC**

The rapid development of CBEC in recent years is inseparable from the strong support of government policies. According to the collected data from the Electronic Commerce Research Center (100EC. CN), the scale of China's export CBEC transactions in the first half of 2017 was 2.75 trillion yuan, a year-on-year increase of 31.5%. Behind this growth, the State Council of China has frequently issued documents to support "Internet + foreign trade". China export CBEC is a positive combination of "Internet + foreign trade". That China government policies continue to support China export CBEC is conducive to drive China's manufacturing development, the improvement of electronic payment, logistics system. Here are the main policies implemented to support the development of China export CBEC.

Table 12: Policies about China Export CBEC

Release time	Release department	Policy name
2013/7	Ministry of Commerce	"Several Opinions on Promoting Stable Growth and Adjustment of Imports and Exports"
2013/8	Ministry of Commerce	Opinions on Implementing Policies Related to Supporting CBEC Retail Exports
2013/11	Ministry of Commerce	Opinions on Promoting the Implementation of E-Commerce Applications
2013/12	Ministry of Finance, etc.	Notice on the Taxation Policy for China Export CBEC Zero
2014/1	General Administration of Customs	Announcement on Adding Customs Supervision Codes
2014/5	Ministry of Commerce	"Several Opinions on Supporting Stable Growth of Foreign Trade"
2014/7	General Administration of Customs	Announcement on Regulating Issues Concerning Import and Export Goods and Articles of CBEC
2014/7	General Administration of Customs	Announcement on increase Customs Supervision Codes
2015/1	Foreign exchange administration	Notice on Launching a Pilot Program for Cross-border Foreign Exchange Payment Services of Payment Agencies
2015/5	Ministry of Commerce	"Opinions on Accelerating the Cultivation of Foreign Trade Competitive Advantages"
2015/5	Ministry of Commerce	"Opinions on Vigorously Developing E-Commerce and Rapidly Cultivating New Economic Power"
2015/6	Administration of Quality Supervision	"Guiding Opinions on Strengthening the Inspection and Supervision of CBEC Import and Export Consumer Goods"

2015/6	Ministry of Commerce	Opinions on the Guidance for Promoting the Healthy and Rapid Development of CBEC
2016/4	General Administration of Customs	Announcement on Regulatory Issues Concerning CBEC Retail Import and Export Commodities
2016/5	Ministry of Commerce	"Several Opinions on Promoting the Stabilization of Foreign Trade"
2017/1	Ministry of Commerce	"Reply on agreeing to establish a CBEC comprehensive pilot zone in 12 cities including Tianjin"
2017/8	Administration of Quality Supervision	Announcement on Data Access Specification for CBEC Retail Import and Export Inspection and Quarantine Information Management System
2017/11	Ministry of Commerce	Letter on the mature experience of the exploration and replication of CBEC comprehensive pilot zones

Source: China Electronic Commerce Research Center (2018)

Since China export CBEC trade is an important part of China CBEC. In recent years, the government's policies on China export CBEC have become more intensive, and most of the them issued by the government are basically hold the propose to eliminate the barriers during its development such as payment, logistics, customs declaration and other issues. The government strives to establish a good development environment for China export CBEC.

● **The Analysis of China Import CBEC Policies**

In recent years, even though China import CBEC just account near 30% of all but it grows with a very fast speed. After 2013, cross-border import e-commerce platforms have gradually emerged, and cross-border online shopping users have also increased year by year. Especially in 2015, due to the regulation of import tax policies and the reduction of tariffs on some imported goods, its growth is explosive. According to the monitored date from e-commerce research(100EC. CN)(2018), China import CBEC transactions in the first half of 2017 reached 862. 4 billion yuan (including import B2B, imported B2C and imported C2C), an increase of 66. 3%. This great progress can be own to the support from China government's policies about China import CBEC. Among them, the most influential one is the "List of CBEC Retail Imports"

issued on April 7, 2016, commonly known as the “4·8” New Deal¹⁶. At the same time, relevant departments including the General Administration of Customs have also issued relevant support or regulatory policies. This policy completed change the taxation on imported CBEC goods by levying imported retail goods that before had been treated as post parcel and was levied post parcel tax now is treated as normal imported goods and be levied tax with a more preferential tax rate. Here are the main policies which have an important impact on the development of China import CBEC.

Table 13:Policies about China Import CBEC

Release time	Release department	Policy Name
2014/8	General Administration of Customs	Announcement on Inbound and Outbound Goods, Articles and Relevant Supervision Issues on Cross-border Trade E-Commerce
2015/3	General Administration of Customs	Notice on Issues Concerning the Ten-Point Online Purchase Bonded Import Model for CBEC Services
2015/5	State Council	Reduce import tariffs on some consumer goods
2016/3	Ministry of Finance, General Administration of Customs, State Administration of Taxation	Notice on the Taxation Policy for import retail of CBEC
2016/4	Ministry of Finance etc.	CBEC retail import goods list
2016/4	Ministry of Finance	Remarks description of the commodity the List of Retail Import Commodities of CBEC
2016/4	Ministry of Finance etc.	CBEC retail import goods list (second batch)
2016/11	State Council	Ministry of Commerce spokesperson's talk on extending the transition period of CBEC retail import supervision
2017/9	State Council	Extend the one-year policy of the transitional period policy for CBEC regulation
2017/11	Administration of Quality Supervision	Announcement on the Implementation Date of the Registration of Imported Infant Milk Powder Products

¹⁶ Because this policy was issued on April 8, 2016 so it is called “4. 8” new deal.

2017/11	Ministry of Finance	Notice on Adjusting Import Tariffs for Certain Consumer Goods
2017/12	Ministry of Commerce	Ministry of Commerce: 5 new cities will be added to the CBEC transition policy from next year

Source: China Electronic Commerce Research Center (2018)

2. 4 Several Opinions on the Future Development of China's CBEC Policy

According to the detailed analysis shown in China CBEC Policy Research Report (2017) which is provided by the authoritative organization of China E-Commerce Research Center www.100ec.cn, here are some advice given for the future development of China CBEC policy.

- A policy norm system should be established.

From the aspect of the policy and management, all management departments should formulate policies and regulations covering products, tariffs, products quarantine, foreign exchange control, taxation, payment, logistics, etc. , and establish standards that cover a series of basic information such as customs clearance, inspection and quarantine, foreign exchange settlement, and tax refund. System and interface specifications that should provide standardized guidance and specifications for CBEC business processes and management services. At the same time, it is necessary to clarify the business scope and opening sequence of CBEC transactions and establish CBEC entity qualification registration and payment institution market access system, and introduce CBEC and payment foreign exchange management methods in a timely manner.

- CBEC platforms should be incorporated into national infrastructure construction

The international trade pattern based on emerging CBEC market is being reconstructed. As a global CBEC leader, China has nurtured a large number of large-scale cross-border companies with international influence represented by Alibaba and Dunhuang. However, due to the lack of overall planning at the national level, the domestic e-commerce platforms have independently developed and operated, which has greatly restricted the comprehensive application of big data, the integration of industrial chain resources and the speed of global

market expansion, and more and more countries in the world have begun to attach importance to invest in CBEC platforms, China's first-mover advantage is being eroded.

- The service support systems such as payment, logistics, and settlement systems should be given more attention.

In the existing CBEC service support system, China will gradually optimize service systems such as cross-border payment, logistics, and settlement and settlement. Support payment services for cross-border payments. For example, enterprises should allow pilot payment companies to handle overseas collection and payment and foreign exchange settlement and sales. After receiving the information related to the online transaction order, payment record and actual transaction and verifying the authenticity of the e-commerce transaction, the foreign exchange administration shall not record the foreign exchange amount record of the transaction, and the payment enterprise shall It is allowed to centrally handle the relevant procedures for payment.

In the areas of bonded areas, problems of customs clearance, inspection and quarantine, industry and commerce and cross-border logistics and distribution should be solved by formulating adjustment and optimization measures and further improvement of relevant management regulations and promoting trade facilitation and the development of domestic logistics express delivery. When formulating cross-border import customs tax policies, government departments should promote the healthy development of cross-border import e-commerce industry without affecting and impacting the current cross-border import e-commerce market. It can optimize customs clearance procedures, distinguish between traditional imports, streamline procedures and improve the establishment of reasonable commodity tax systems and tax refunds for cross-border import of e-commerce, and shorten logistics time to improve CBEC efficiency.

Summary

In this chapter, the background of China CBEC and its policy environment was written and there are four parts in this chapter. In order to have a overview on China CBEC, in the first part,

it introduced that the development of China CBEC can be divided into four stages according to its main changes: the initial stage, the accelerated development stage, the standardization stage and the globalization stage. It also studied the impact that CBEC on China foreign trade was introduced from both microeconomics perspective and macroeconomics perspective. For the policy environment, besides, the transaction scale, product categories and trade partners are also written from both import and export perspective. In the second part, the general authorities that issue the policy about China CBEC were introduced and the details about all the importance policies related both import and export CBEC was listed. In the third part, a more detailed analysis about above policies was explained. In the end, there some advice for the future development of the implement of China CBEC policy.

3. THE INFRASTRUCTURE OF CHINA CBEC

In this chapter, the infrastructure of China CBEC will be introduced from the aspects of its business models and platforms, payment platforms, custom clearance system, logistics system and taxation and each aspect will be studied from both import and export respectively.

3. 1 The Main Business Models and Platforms of China CBEC

There are several views about the concept of “business model”: one view is that business model is about how enterprises make a profit from business. American professor Michael Rappa considered that a business model is a method of how to do business. All business model specify what a enterprise does to create value and how it is situated among upstream and downstream partners in the value chain. Peter Weill pointed out that business model is the description of the relationships between enterprises, consumers and suppliers. This kind of view is about viewpoint from the aspect of how enterprises make profit. One other view is multidimensional definition of business model. For example, Jonas Hedman (2006) defined business model as an architecture for the product, service and information flows, including a description of the various business actors and their roles . He thinks that business model is a description of the potential benefits for the various business actors or a description of the sources of revenues. By integrating above views, this article regard business model for enterprises to operate the business to make a profit. From the aspect from the enterprises, there are three types of CBEC business models: B2B, B2C, C2C.

In order to meet the specific requirements of different business model of CBEC, different CBEC platforms were built up. It is apparently that the exist of CBEC platform exists depends on the exist of CBEC business model. Similarly it can say that CBEC platform serves for CBEC business models by providing customs clearance service platform for cross-border trade, public service platform, integrated service platform and so on. In China, based on the the operation model of CBEC platforms, it can be divided into three types: Self-run E-commerce model, The information platform model and The integrated service provider model.

3. 1. 1 The Main Business Model of China CBEC

According to the research of Xingzhi Liu(2016), China Currently there are also three main business model of China export CBEC: B2B, B2C and C2C. Also there are two main business models of China import CBEC: the bonded imports and direct purchase imports. Here introduce the main business model of China CBEC from export and import respectively. For export CBEC, there are two main business model: B2B and B2C. For import CBEC, there are also two main business model: Direct purchase import (B2C)and Bonded import(B2B2C).

● The business model of China export CBEC

The main business model of China export CBEC includes: B2B, B2C, andC2C models, which are mainly determined by the main trading parts in CBEC trade.For B2B business model in China export CBEC, the seller only publishes product information or advertisements on the CBEC platforms, but other procedures like negotiating, offering and playing orders, making deals, delivering goods and customers clearance are still completed by offline as traditional trade procedures do. The features of tB2B transactions in CBEC was having a large quantity of orders with small batches, platforms like Alibaba International Station and China Manufacturing Network are run by this business model. The B2B transaction process is complex but standardized, and the value of orders is generally large. Besides, the B2B business model is generally relatively fixed, and its security requirements is higher. Currently, B2B still occupies the main part of all China export CBEC. However according to the research of Shuyan Cao, Ranan, Haotong Li, (2013), since B2B business model not only can reduce whole transaction procurement cost and inventory cost, but also increases trade efficiency and increase trading opportunities.

B2C is a typical model for wholesale and retail business in CBEC. For this business model in China export CBEC, sellers use e-commerce website platform to sell goods to its terminal consumers, and those buyers tare mainly are overseas consumers. The main logistics method under this model are air parcel, express delivery, postal delivery and express delivery or postal company are also responsible for customs declaration. While according to Shuyan Cao, Ranan,

Haotong Li, (2013) ,this business model is also characterized by a large of order numbers with small quantity of each and having a large number of consumers. The B2C business model only can be built on the basis of huge capital and labor costs which contains fund, team, logistics and supply which those four parts are indispensable.

For C2C business model of China export CBEC, the CBEC platform of it just serves as an independent third-party sales platform which does not include logistics and payment service. The biggest advantage of this business model is that it can get the large number of buyers. According to the research of Jiayi Luo and Jinduan Huang(2017), the transaction scale under C2C business model is small, such as eBay and the profit source of C2C model mainly include membership fees, transaction commissions, search promotion fees, advertising fees, payment processing fees and other value-added revenue. the CBEC platform under this business model is no longer a traditional information service provider but to be a more comprehensive service provider which includes several boxes of online marketing, online transactions and payments, and international logistics service and have reshaped the international industrial chain, greatly promoted the development of export trade. However, the current industry development is still immature, and the traditional way still occupies a dominant position. Once the cooperation in the industrial chain is formed in the future, a multi-level service system will be presented in parallel.

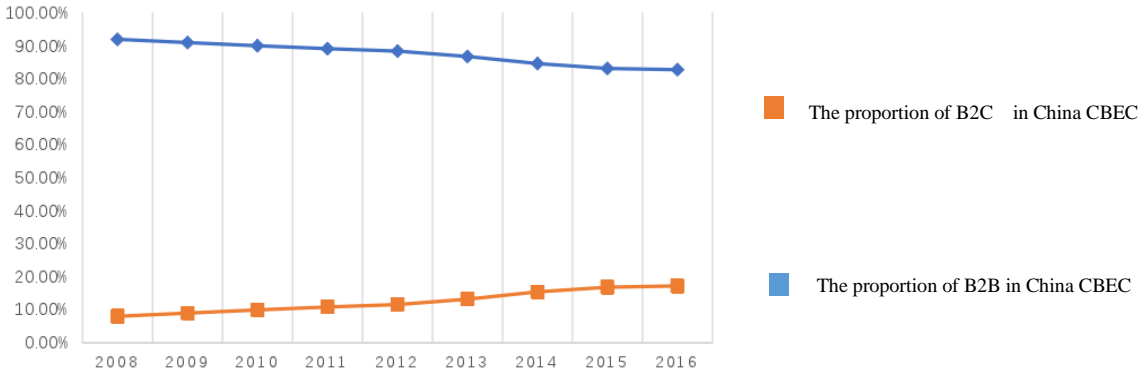


Figure 10: The Proportion of B2B and B2C in the Scale of CBEC Export Transactions in China from 2008 to 2016.

Resource: China Ministry of Commerce 2018 Database

The Figure 10 shows the proportion of B2B and B2C in the scale of CBEC export transactions in China from 2008 to 2016. Among the CBEC export trade volume of China, B2B accounted for 83% of the transaction volume in 2016, and it is in an absolute dominant position. According to the report of The Administration of China Commerce's report(2017), China's export CBEC transactions in the B2B market scale was 5.1 trillion yuan, an increase of 13.3%. The focus of the development of the mainstream export CBEC B2B platform in 2017 has been that the information-integrated platform has been transformed into a transaction-oriented platform. However, at the same time, B2C has been on the rise gradually. With stable orders, low transaction frequency and large transaction volume, B2B has always occupied the main position of transaction scale. As Luo and Huang(2017) found that the main reasons are as follows: First, China's export products have lower added value and are less attractive to foreign consumers. As a result general price advantage of Chinese good is no longer attractive to high-end consumer groups in CBEC circumstance. Therefore the export CBEC only can be explained according to traditional trade needs. Another main reason is that the development of B2C has diverted by Haitao (a B2B2C export business model). Due to the sluggish China trade market and the retailing of trading entities in recent years, the proportion of B2C transactions will gradually expand in the future. With the support of national policies, CBEC will gradually towards standardization and standards. In the process of transition to new trade, the B2C CBEC business models will play an increasingly important role.

● **The main business models of China import CBEC**

There are two main business models in China import CBEC and both of them belong to bonded imports : Bonded warehouse model (B2B2C) and direct mailing model(B2C). Before those two different model are compared, here are more detailed information about them.

Bonded warehouse model (B2B2C)

'stock first, order later' is the principle of bonded warehouse model in China import CBEC. A large quantity of products can be imported into warehouse in approved zones first and later those products can be sold on CBEC platforms in small quantity. Which means once domestic

consumers can place orders for those imported products then those goods will be go through customs clearance directly in the of bonded area and are then delivered to consumers within 2-3 days.

Direct mailing (B2C) model

“Order first, deliver later” is the main principle of direct mailing model. Once customers place orders from CBEC platform, the information about the order including delivery, payment and order number will be submitted to customs system. When the products are shipped from an overseas distribution centre which is connected to Chinese customs, these three records about one transaction are in accordance, the parcel can be released. Bonded imports are submit to both new taxation rules and positive lists which released in 2016. That means that for bonded imports, personal postal articles tax will no longer be levied. Instead, for online import commodities both under the bonded warehouse model (B2B2C) and direct mailing model (B2C) import tariff, VAT, and consumption tax will be levied upon customs clearance. As the table below, more difference can be found from comparison between those two different model.

Table 14: The Comparison between Bonded Warehouse Model and Direct Mailing Model

Import Business Mode	Bonded Warehouse Model (B2B2C)	Direct Mailing (B2C) Model
Operation	“Order first, delivery later” model Consumers will place the order of goods overseas directly via a CBEC platform linked to the customs network. Goods will be shipped by international logistics provider and reach domestic consumer	“Stock first, order later” model Goods overseas are temporarily stored in bonded customs supervision areas after arriving in China. Upon an order is placed via a cross border e-commerce platform linked to the customs network, a real-time declaration to the customs will be conducted and the goods will complete customs clearance procedures within the bonded zone. Goods will be delivered to domestic consumers via local logistics provider
Delivery Time	Within 7 to 1 month	Within 2 to 3 days
Product Category	Unlimited	limited
Duty	Postal tax (goods original price × postal tax rate) will be levied with tax rate ranges from 10% to 50%* ;Postal tax will be exempted if the postal tax amount is less than RMB 50. For imports under general trade, “customs duty + consumption tax (25%1) + import VAT (17%)” will be levied; For the purchase of a number of products in a single order with the value less than RMB 10002, the products can go through customs clearance according to personal postal articles tax regulations Imported products are for personal use only with a reasonable quantity for each transaction	

Resource: The General Administration of China Customs

3.1. 2 The Main Types of China CBEC Platforms.

According to the research from Yiyin Huang, Feixing Li, (2016), in China CBEC, the platform mainly include: Alibaba International Station, JD.global.com, China Manufacturing Network, Global Sources Network, DUGate. com, 1688. com, kelp, AliExpress, eBay, Amazon, Wish, Tmall International, Taobao Global Purchase and Ocean Terminal.

According to the report of China export CBEC (2017), at present, the export CBEC platform mainly consists of the following: For B2B business model, the main platforms including: Alibaba International Station, TOOCLE3. 0 (Business Treasure), Global Sources, China Manufacturing Network, MFG. com, Jumao, Dalong, Dunhuang Wait. For B2C business model, the main platforms including: AliExpress, eBay, Amazon, Wish, Lanting Gathering, DX, Milano, Cross-border, with trees, Newegg New Egg, Pepsi, Haiyi, Tongtuo Technology, Aoji E-commerce, obedience, small stupid birds, etc. Third-party service companies: Yitongtong, Yidan. com, Shimaotong, Paypal, MoneyGram, Bank of China, China Ping An, China Post,

UPS, TNT, SF, DHL, FedEx, Handicap, Export Easy, Sihai Merchants, Barley E-commerce and so on.

From the aspect of import platforms of China CBEC, for B2C self-run platforms including: JD Global Purchase (comprehensive), Netease Koala (comprehensive), SF Haitao (comprehensive). For integrated service platforms including: Tmall International (comprehensive), Ocean Terminal (comprehensive), and imported goods store BuyIMP (comprehensive) Class), for self-run B2B2C platforms including : kelp network (mother and baby), sea patrol (mother and baby) third party: imported goods store BuyIMP (comprehensive class). Compared with above key platforms some smaller importer CBEC platforms such as Little Red Book (RED) or Kaola are also going to be more popular in Chinese market. These apps normally aims at niche markets and smaller brands, which provide customers a better customer experience and also to make the process of finding early adopters for them much easier.

According to what we explained before, those platforms can be divided into three models the self-run E-commerce model, the information platform model and the integrated service provider model.

The self-run E-commerce model

The self-run CBEC platform mainly includes: Lightinthebox, DX, Milano, Netease koala, JD Global Purchase global purchase, Jumeiyou and Xiaohongshu. As far as the business model is concerned, today's CBEC is mainly based on self-run and platform models since the self-run CBEC platform can ensure that their product categories are maximized, and users can be obtained in low-cost form such as discount subsidies.

In self-run E-commerce model, enterprises themselves incharge whole procedures about products' production, delivery, online transaction and logistics distribution to final buyers though the CBEC platform. Under this model, enterprises build up their own shops and supply system for their own oversea transactions. There are some advantages can be found in this model, like enterprise under this model can directly keep their brand growing in a wanted

trend, also the quality of product production can be security and the management of transaction can be in a good condition. In this model, there are two identified characteristics :the product kinds is limited and the package size is small. The product type centralization means that the products sold in this model should be highly profitable products, such as 3C, wedding dress, etc. The small goods package means that specific international express should be selected to delivery goods to its terminal consumers. According to the research results from Shuyan Cao, Ranan, Haotong Li, (2013), here are two main advantages of this model. First, this type of CBEC platform can ensure that the interests of enterprises do not flow out, the more funds need to be invested , the greater the benefits; Secondly, this platform can also ensure the strong integration of the enterprise supply chain and control the customers' online purchase experience, which means that consumers can get quality products and advanced services. At the same time Shuyan Cao, Ranan, Haotong Li, (2013) aslo pointed out that there are also two obvious shortcomings. First of all, under this mode, companies can not have the ability to meet all requirements for their customers. If the demand for the customers cannot be satisfied, it means the opportunity cost of the enterprise is increased. If the requirements are expanded according to the requirements of the customers, it means the cost, investment and risk of stocking will be expanded as well. Secondly, due to the need to directly deliver goods to consumers, the gross profit margin is low, and it is necessary to invest a large amount of money in logistics and warehousing construction. Enterprises cannot be profitable in the short term. Therefore, this kind of CBEC model more suits to the producers and enterprises that have certain scale and oversea customers already have certain awareness about its brand and, most importantly, have the abilities of building outside supply chain and the APP software or websites quickly, since the self-run CBEC websites should have basic IT infrastructure and overseas informatization development abilities and resources.

The information platform model

This platform model is designed mainly for B2B business model and it can be divided in two types: information service platform and information trading platform.

The information service platform is mainly to help enterprises provide services related to information release or information search. The main revenues of the platform include membership services and value-added services. The membership service is the annual fee paid by the seller to enjoy the various services provided by the platform. The membership fee is the main source of revenue for the platform. At present, the profit model market tends to be saturated. Value-added services fee is the fee that after buyers and sellers become platform members, that buyers and sellers should pay the platform for its additional service mainly including bidding, pay-per-click and booth promotion services. The bidding ranking is the most mature profit model for value-added services on the information service platform. Alibaba International Station, Business Bao, Global Sources, China Manufacturing Network. are this kind of platforms.

The information trading platform is mainly a platform model that can help buyers and sellers to provide online transactions and online electronic payment services between them. The main profit models include charging commission fees and display fees. A certain amount of commission will be charged after the transaction. According to different measurement of different industries, the real transaction data can help the buyer to accurately understand the seller's situation. The main representative of this kind platforms are: Dunhuang Network, Dalong Net.

The integrated service provider model

The integrated service provider model is regraded as the new trend of CBEC. Under this model, the function of this platform is not only focusing on showing the informations about product, logistics, payment, product quality control, etc. but also includes providing the service of analyzing traders' date, products, logistics, and marketing so on which are related to every trading links and transaction processes. JD. com, Tmall, dhgate. com and Aliexpress. com are its typical representative platforms. Since this kind of model not only provides a trading platform for enterprises, but also can help them, especially export enterprises to deal with problems like logistics, payment, customer management etc. Therefore, the integrated service

provider model is regraded as model “information platform + other supporting service ”which can make oversea transaction processing more quickly and effectively.

Based above introduction about three different platform in China CBEC, here is a simple summary for the comparison among those three types of China CBEC platforms

Table 15: The Comparison among Three Types of China CBEC Platforms

Benefit Model	Value creation process	Value Creation Mechanism	Typical Enterprises	
			Export	Import
Self-run E-commerce Model	Products sale links	Costs decline,profitability improved Sales increase	Lightinthebox DX Milanoo	Kaola Jumei Xiaohongshu
Information Platform Model	Soliciting Platform users	Membership fee Management fee	GlobalSources Made-in-China	1688
Integrated Service Provider Model	Customer make deals,Value-added services	Order commission, Services consulting fees	Alibaba aliexpress Onetouch.alibaba DHgate	Ymatou Tmall.HK JD

Resource:own

3. 2 Payment Platforms in China CBEC

The CBEC transaction process is mainly composed by four parts: business negotiation, contract signing, payment transaction and delivery. The payment transaction is the central part of CBEC transactions. Payment is always the critical part of any international transaction. Apart from traditional banks and card, third-party payment institutions has become a crifical payment in the cross-border payment industry. According to HuiFu's¹⁷ report (2017) that the leading third-party payment platform in China CBEC and its volume processed through its cross-border payment services reached 6. 7 billion yuan (986. 6 million U. S. dollars) and the company's revenue from cross-border payment services was 14. 3 million yuan (2. 1 million U. S. dollars) in the first half of 2018, which is 11 time increase from a year ago. This gives us a good

¹⁷ A leading independent third-party payment service provider in China, focusing on merchant payment and fintech enabling services.
<https://www.huifu.com/en/about-company/>

example about the growth of China third-party payment platforms. Because the traditional payment in CBEC is similar with that of general international trade, here we just focus on third-party payment platforms.

3. 2. 1 Current Situation and Examples about Third-party Payment Platform in China CBEC

As the main form of CBEC financial flows, cross-border payment assumes the security of trading funds and protecting the legitimate rights and interests on the behalf of both buyers and sellers. Cross-border payments can be generally divided into collections business and payments business. Normally the payment business refers to the domestic buyers’ payment for the purchases of overseas goods or services through cross-border payment institutions can be shown as Figure 11. It can be found that in the export CBEC business, the third-party payment institution in China is mainly responsible for the settlement of foreign exchange into RMB and pay to domestic merchants.

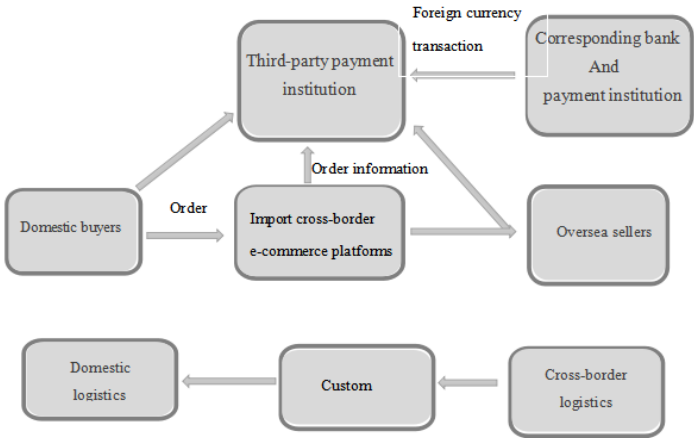


Figure 11 The Flow Chart of Transaction Business of Third-party Payment Institution in Import CBEC.

Source :own :The Study about the Development Status and Prospects of Cross-border Third-party Payment

While the collection business refers to the the domestic seller’s collection for selling goods though cross-border payment institutions just ass shown in Figure12. It can be seen that it is domestic third-party payment institution that in charge of foreign currency collection for

domestic sellers and it is oversea third-party payment institution that in charge of payment for oversea buyers.

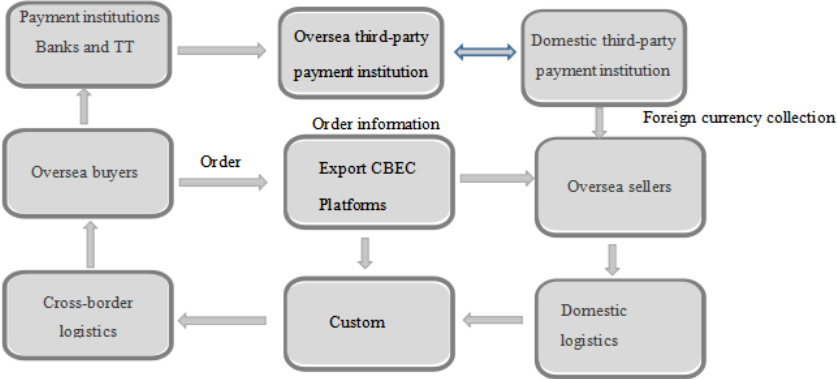


Figure 12 : The Flow Chart of Transaction Business of Third-party Payment Institution in Export CBEC.

Source: The Study about the Development Status and Prospects of Cross-border Third-party Payment

The global commodity market is basically in the era of the buyer's market, as the buyer has greater autonomy in the choice of cross-border payment methods. Relatively speaking, the seller has a relatively small choice in terms of payment method selection, so most third-party cross-border payment institutions charge the seller commissions, account management fees, and withdrawal fees etc.

According to the research from Shanchun Li(2016), the payment of China CBEC are also can be mainly divided into online and offline. Online payment includes various third-party online payment, international credit card, bank transfer and other methods. Online payment is subject to quota control and is applicable to small CBEC retail. The other is offline payment, such as wire transfer, letter of credit, etc. , mostly for large-scale CBEC transactions. Just as the figure shown that, In the import CBEC business, when the domestic buyer places an order and pays the payment through a third-party payment institution, the third-party payment institution in China applies for the customer to pay the foreign currency to the foreign merchant for payment .

3. 2. 2 The Introduction to Third-party Payment Platform in CBEC

Online payment as a carrier for money transfer via the Internet and is a form of electronic payment which is through a third-party platform to provide payment interface with the bank between the real-time payment methods. In addition, providing complete finance support for the E-commerce or other services . The Figure 13 below shows the procedure of how online third-party payment platforms works.

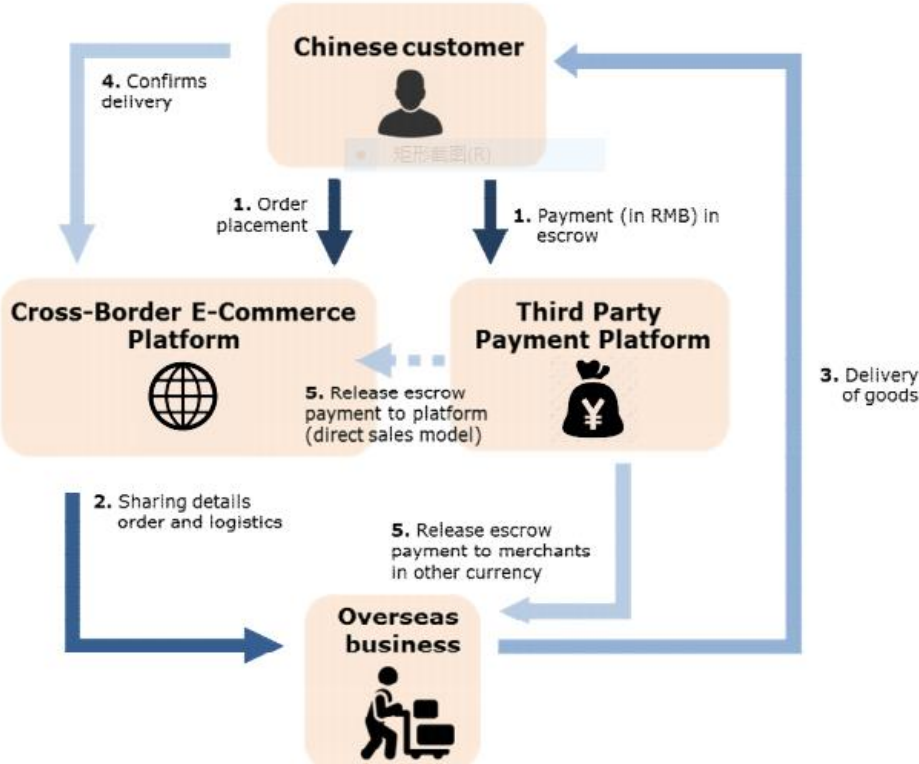


Figure 13: Business Procedure of Online Payment Model

Resource: Netherlands Consulate-General Shanghai | Guidebook China Cross-Border E-Commerce 2017

Compared to the traditional foreign trade payment system, as we can see from above Figure 13, the entire process of payment in CBEC is simplified under the condition of third-party payment platforms. Different with other payment methods, the third-party online payment has follow features.

① More dependable and safety. This because it connect with the internet system with the bank and the service which they offers is dependable and safety. Also the third-party online payment has its complete method by transmitting the encryption data from the internet bank

system across the safety of the certificates. This can make sure the account transactions from the customer is safe and the digital signature.

② More convenient and simple. Since the third-party online payment has cooperate with different banks so the company for the third-party online payment has offers application interface which is uniform. Therefore the customer just need to use one payment platform which has the same interface but for the different transactions with the disparate banks. This greatly help the customer save the spending, create the social values because of the new pattern.

③ Information about order, logistics, payment are integrated. This can be explained that different parties for the payment system will offers the unity methods for capital flow for the e-business activities, logistics and information flow due to the transaction from different parties will be integrated.

④ The third-party online payment is suit for the small and medium size company or organizations. According to Yang(2018)'s research about China payment system of in CBEC, this because in the early stage of the development of online payment, it's hard for the small and medium size company to use the online bank or make remittance for their online business since there has some limit for the financial and technical problems from the online bank or remittance, also it's hard for the bank to take in the business from the small and medium size company. But the third-party online payment can accept this situation

In the CBEC import business, China's third-party payment institutions can actively take the initiative and support the use of RMB. To some extent, this has promoted the internationalization of the RMB in the international settlement. In the export business of CBEC, due to the lack of third-party payment institutions with wide coverage and strong influence in China, foreign trade merchants often use Paypal, Payoneer, Webmoney and other payment platforms to collect money, and this result in disputes issues like high commissions and slow capital turnover and so on.

China's earliest third-party online payment companies were established in 1999, they are Beijing Capital science and Technology Co Ltd and Shanghai HuanXun e-commerce Co Ltd. In September 2013, China's State Administration of Foreign Exchange began to issue cross-border payment licenses. Enterprises with ordinary payment licenses are eligible to apply for cross-border payment licenses to provide foreign exchange funds for CBEC transactions and foreign exchange purchase services. At the end of 2016, there are 28 companies have obtained cross-border payment licenses, and according to the evaluation from brand, equipment, ability three aspects, the top 10 third-party payment institutions has been selected and as below.

Table 16: Top 10 Third-party Payment Platforms of China CBEC

Rank	Institution name	Brand	Equipment	Ability	Total scores
1	Alipay	95.28	98.84	90.06	91.56
2	Tenpay	94.31	91.26	88.61	89.86
3	Chinapay	83.08	90.61	90.37	89.31
4	99bill	86.65	86.59	87.44	87.25
5	ChinaPNR	81.65	85.52	86.60	85.70
6	Yeepay	76.42	87.5	85.93	84.74
7	Chinabank	83.	85.12	83.74	83.91
8	Unicom payment	75.69	84.33	85.46	83.83
9	Lakala	87.43	85.39	82.66	83.79
10	PayEase	76.03	84.27	84.52	83.21

Source: The Report of the Development of China CBEC (2018)

According to the research of Netherlands Consulate-General Shanghai, it found that Alipay is most widely used third-party payment institution and it also account for 43% in China domestic market. Tenpay, as the second most popular third-party payment institution in China domestic e-commerce market by obtaining 16% of all, it also be widely used in CBEC.

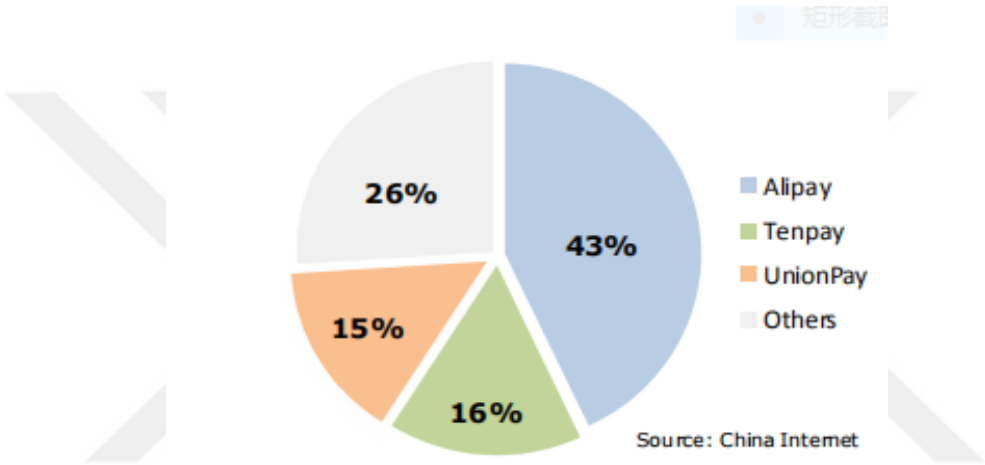


Figure 14 : Online Payment Platforms Share of China in 2016

Source: Netherlands Consulate-General Shanghai | Guidebook China Cross-Border E-Commer, S78 2017

Since recently there is a surge in the volume of the third-party platforms of China CBEC, according to the research from Wen Huang(2018), in 2017, the volume of third-party payment providers increased approximately 1. 256 billion cross-border online transactions for a year-on-year rise of 114. 7%. The total value of transaction saw to 320 billion yuan according to data report from the Payment & Clearing Association of China. As this demand for cross-border transactions continues to grow up, the annualised growth rate of online transaction is expected to excess 50%. Here are more details about the main representative third-party online payment platforms in China CBEC

Alipay

According to Alipay.com , it is found that as the online payment system of Alibaba's proprietary online an as early as August 2007, Alipay jointly launched a cross-border payment settlement business with financial institutions such as Bank of China. Since 2009, Alipay has cooperated with Visa and Master in the overseas countries. The above-mentioned financial institutions in Hong Kong, Macao and Taiwan have signed up with cardholders to make purchases through Alipay in Taobao. Two-way cross-border payment service. Up to now, Alipay's cross-border payment services cover 34 countries and regions, supporting more than 10 foreign exchange settlements such as US dollar, British pound, Euro, Swiss franc, etc. Now with more than 400 million users, Alipay has become the biggest online payment system of both China domestic e-commerce market and China export CBEC. Its supports 12 foreign currencies online transaction on website and mobile device . The spot rate of payment is determined by the Bank of China and China Construction Bank. Currently, it costs 1000USD for applying a Alipay count, and CBEC enterprises can settle payment transaction by turnover, which means that as the turnover of a company accumulate to the lower limit of 500USD, the payment will be transfer to the bank . Alipay will transfer the payments to the company's bank account immediately. Apart from this payment can also be transfered by a weekly, montly or quarterly basis. 2.0%-3.0% of the transaction free is charged once time. The higher the transaction value, the higher the fee is.

Tenpay

Accroding to the research from tenpay.com.cn ,it is leaned that as an integrated payment system launched by Tencent¹⁸, the cross-border business of Tenpay now has supported more than 13 currencies transaction in 40 foreign countries and regions for compliance access. With more than 200 million registered users, Tenpay has become the second largest online payment system of both China domestic market and China CBEC market. Tenpay is often used by consumers on desktops to checkout at major CBEC platforms like JWorldwide. In China, Tenpay is wildly used in Wechat and its transaction fee is 3%, with a minimal settlement of 5000 USD, or demand with a service charge. Settlement date is T +1 (T be in the transaction date). Currently, applying for a cross-border WeChat Pay account is free of charge.

¹⁸One of four China internet giant and the founder of Wechat

Chinapay

By studying from chinapay.com.cn, it is founded that Chinapay was founded in 2011 as a third-party service provider in CBEC payment solutions. According to the report of iResearch (2017), in 2016 Chinapay had become the 4th largest facilitator of mobile payments in terms of transaction volume. Chinapay is also certified by the Chinese government and normally it payment can be settled within 1-3 days .

3.3 The Customs Clearance Platforms in China CBEC

In order to facilitate the customs clearance and customs clearance data management of e-commerce enterprises, China Electronic Port Data Center has built up a CBEC customs clearance service platform system, which began to be used in June 2014.

By the purpose of “relying on local e-ports, optimize customs clearance supervision mode, improve customs clearance management and service level”, this system is used to solve the issue of fast customs clearance, foreign exchange settlement and tax refund for pre-sale commodities of environmental trade e-commerce. However, this system now just only can be applied to export CBEC. According to the introduction from its website, the main work flow of it as follow:

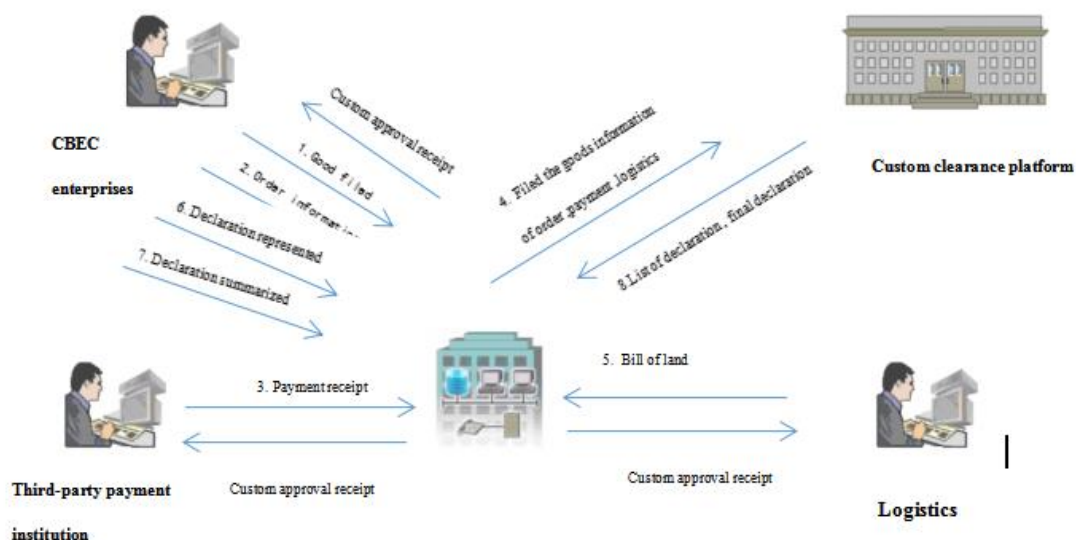


Figure 15 :The Work Flow of Customs Clearance Service Platform System in China CBEC

Source:own

As shown in the figure 15, first, CBEC enterprises need complete enterprise filing in the enterprise management system. Then after getting the customs approval, the e-commerce enterprise/e-commerce platform system should apply custom declaration of goods from this platform and get approve. Once the actual transaction occur, the e-commerce enterprise/e-commerce platform shall submit order information of the consumer to the customs, and the third-party payment enterprise shall also send custom the corresponding payment information, the bill of lading related with the postal and express mail enterprises that are responsible for the logistics. After that, the e-commerce enterprise/e-commerce platform declares the list data, regularly reports the summary application form to the customs to generate the customs declaration form so that the enterprises can complete customs declaration and follow-up export settlement and tax refund.

Since 2014, China Customs has frequently introduced new trade supervision methods: 1239, 1210, and 9610, which confirms the trend of cross-border trade and e-commerce. It is summarized as “market procurement trade mode”, “bonded e-commerce model” and “electronics”. Business model. " In order to promote the development of cross-border trade e-commerce import and export business, facilitate enterprise customs clearance, and standardize customs management, on December 6, 2016, the General Administration of Customs added the “1239” supervision code, which is called “bonded cross-border trade e-commerce A”. Referred to as “bonded e-commerce A”, it is applicable to CBEC retail importers of domestic e-commerce enterprises entering the territory through customs special supervision zones or bonded logistics centers (type B). Here are main four types of custom declaration.

3. 3. 1 The Custom Clearance Procedures for General Exported Goods

The code for custom clearance of general exported goods is 9610 in China export custom clearance system, the general rule of its custom declaration is: final clearance after examination

of the general list of goods, which means the goods list of goods exported by direct mail or express in partial shipments should be collected on a regular basis to form an general list of all goods. Then the custom clearance will be down after the examination of the general list of all goods. The normal procedures under this kind of custom declaration as figure 16 shown:

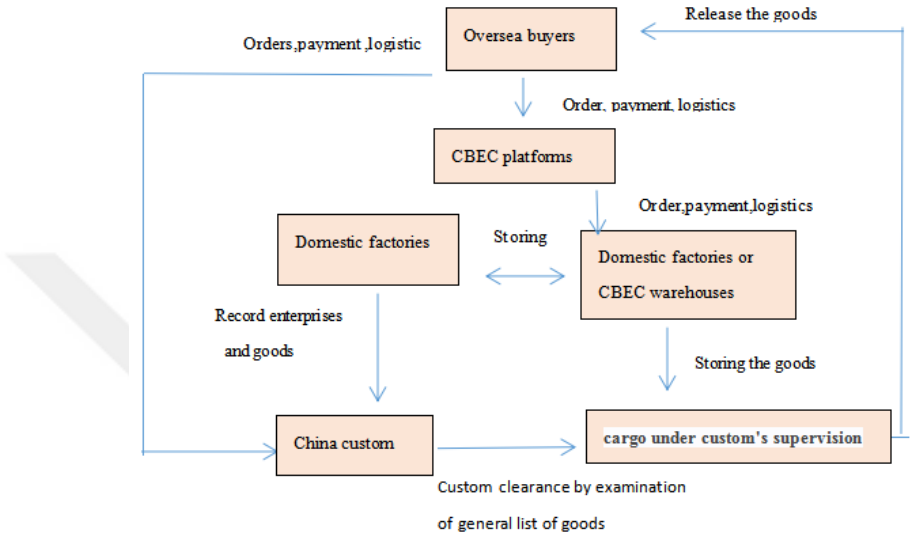


Figure 16 The Custom Clearance Procedures for General Exported Goods

Source: The General Administration of China Customs

First of all, the enterprises or platforms should establish an internet connection with China electric custom platform, then send the electric orders which from the oversea buyers and electric delivery list to the electric custom platform. Then the CBEC enterprises themselves or the agencies should submit the general list of custom declaration to China custom .

3. 3. 2 The Custom Clearance Procedures for Bonded Exported Goods

The column code of bonded exported goods in custom clearance system is 1210. According to the explanation of China custom, the enterprises or CBEC platforms which meet the requirement the requirement that China custom asks can do custom declaration according to general process and store their goods on the special area in advance which is under the supervision of China custom, which called bonded warehouse, and do refund process later. For goods that are already stored in bonded warehouse and finished the refund process can be sent

out of the bonded warehouse after submit relative list. At the same time, the custom will release a general declaration list for all goods in regular time and form the export custom clearance list and the enterprises or platform can end their custom clearance process by holding this list. Compared with the general process of custom clearance, the second-time custom clearance is needed for enterprises and platforms and this is time-consuming for them

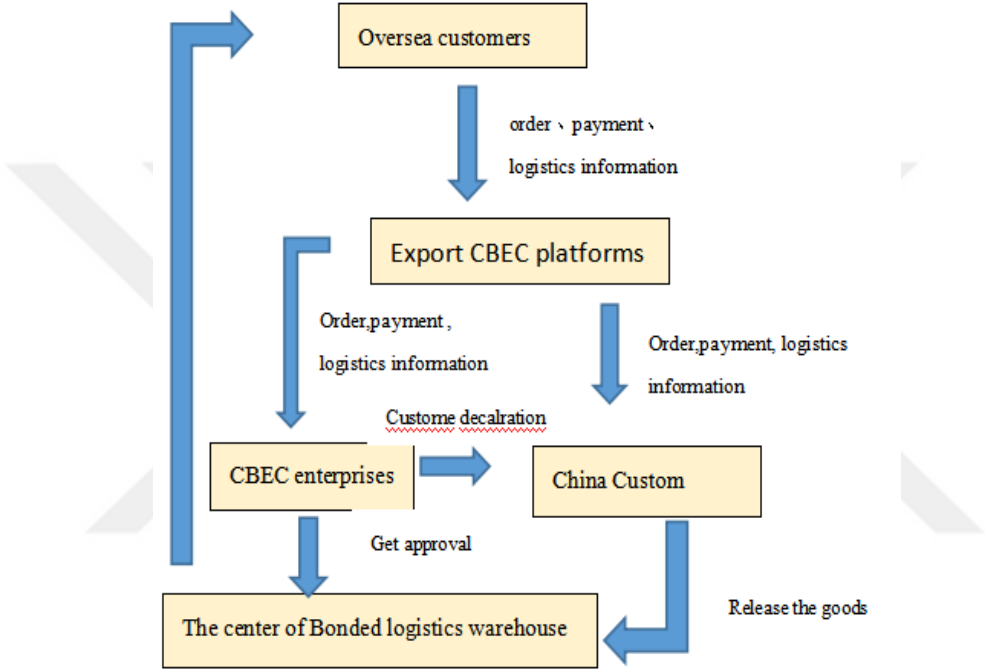


Figure 17 :The Custom Clearance Procedures for Bonded Exported Goods

Source:The General Administration of China Customs

3. 3. 3 The Custom Clearance Procedures for Bonded Imported Goods

The custom column code of bonded imported goods is 1239. According to the explanation of China custom, this custom clearance procedures for bonded imported goods as following Figure 18:

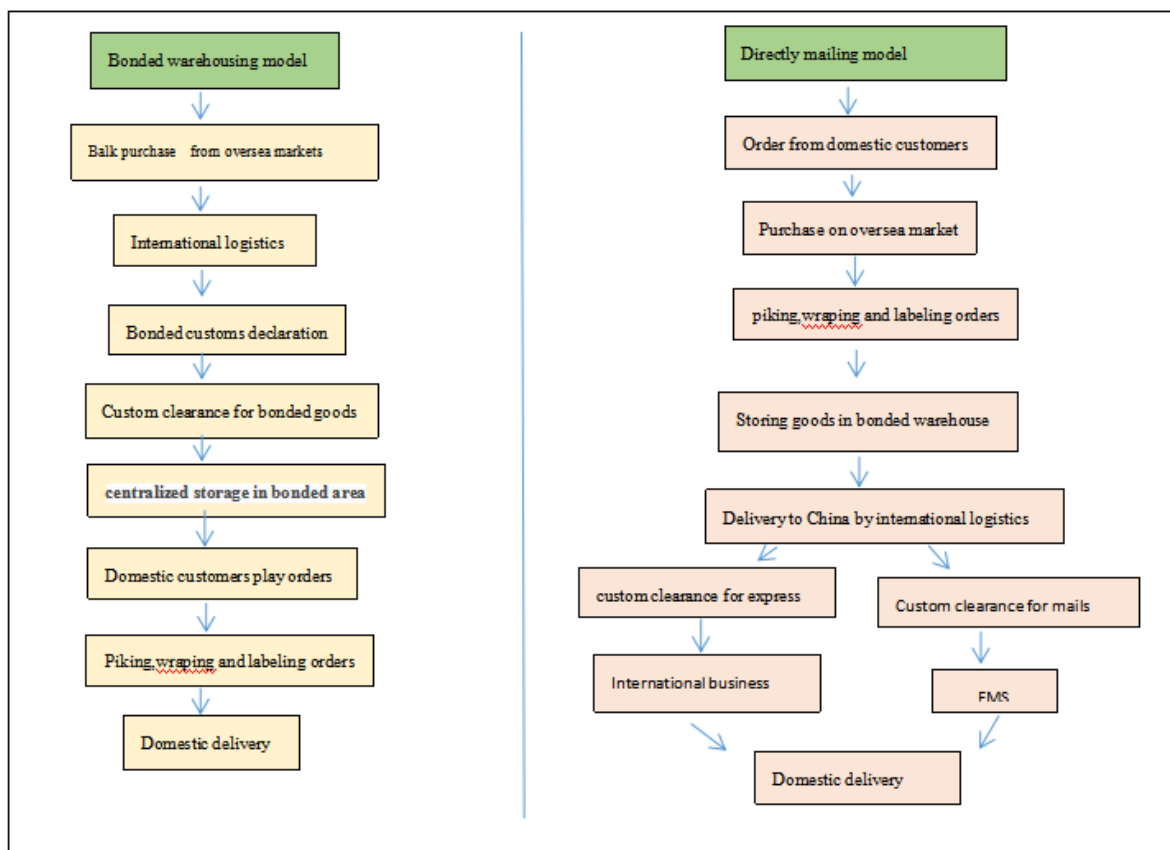


Figure 18: The Custom Clearance Process of Bonded Imported Goods

Source: The General Administration of China Customs

According to the report of the General Administration of Customs(2018), in 2017, retail import and export volume of the CBEC customs clearance management platform of the pilot and the comprehensive test area was 90. 24 billion yuan, a year-on-year increase of 66. 1%. Among them, imports were 56. 59 billion yuan, up 75% year-on-year; exports were 33. 65 billion yuan, up 52. 2% year-on-year. From the perspective of the import model structure, the online shopping bonded import model (1210) dominates. In 2017, the online and bonded import mode (1210) of the pilot and comprehensive test areas was 42. 27 billion yuan, accounting for 74. 7% of the total imports; the direct purchase mode (9610) was 14. 32 billion yuan, accounting for 25. 3% of the total imports. From the perspective of the mode structure of exports, the general export (9610) dominates. In 2017, China's CBEC general export model (9610) transaction volume was 32. 89 billion yuan, accounting for 97. 7% of total exports, up 67. 5% year-on-year;

special regional export model (1210) transaction volume was 760 million yuan, accounting for 2.3% of total exports. .

From the perspective of CBEC enterprises, under the above-mentioned customs clearance modes, the above customs clearance mode can also be divided into express customs clearance, cargo customs clearance, and customs clearance according to the size of goods and customs clearance. They have the following characteristics:

Table 17 Comparison between Different Types of Custom Clearance of Different Type Goods

Type of Custom clearance	Express customs clearance	Cargo customs clearance	Bonded goods customs clearance
Characteristics	Goods can be delivery by direct international express	All goods be sent to the bonded warehouse which in buyer country and do custom clearance together	Goods be delivery into bonded warehouse at first, then customs clearance process as following once there is an order placed by its customers.
Advantages	No need for storage	No need to do custom clearance one by one in advance; low cost of logistics; high efficient.	High efficient custom clearance; Low cost of logistics
Disadvantages	Easily be mixed; Inefficiency custom clearance; logistics cost increase as the umber of order increase	Need to be packed in advance and the term of delivery is long	Warehouse cost generated and goods funds will be occupied as well.
Use condition	Suitable for business with less order and light weight	Suitable for business based on weekly or a certain term	Suitable for business with large and stable order in regular terms.

Source: The General Administration of China Customs

As it can be seen from above table 17, in the context of CBEC, the fragmentation characteristics are gradually becoming apparent. Some of the goods that were originally cleared by goods in the traditional trade were transferred to CBEC through fragmentation, and entered and exited by mail and express mail. Cross-border electricity clearance presents the characteristics of small batch size, high frequency and short cycle, which also brings various problems for customs supervision.

3. 4 The Logistics System in China CBEC

According to the business models of China CBEC, the logistics system of China CBEC can also be divided into two categories: export logistics system and import logistics system. According to the research from Shuyan Cao, Ranan, Haotong Li, (2013), for export logistics system, there are main five types of them : postal parcel, international express, China domestic express mode, special line logistics and overseas warehousing model. For import logistics system, there are main three types of them: overseas direct mail, overseas mailing, bonded import logistics.

3. 4. 1 The Main Logistics System of China Export CBEC

- **Postal parcel**

According to yilianexpress report(2018), currently more than 70% of China's export CBEC parcels are delivered through the postal parcel system, and China Post has half of the business volume, other postal services like Hongkong Post, Singapore Post, etc. are also be used by China sellers Postal parcels sent from China to the United States can generally be reached within 15 days. The reason why the postal system is so popular is mainly because it covers a wide area and can be delivered on a global scale, this should thanks to the effort of two international postal organizations:the Universal Postal Union and the Khala Post Office (KPG). The Universal Postal Union is an agency of the United Nations that specializes in international postal services. Its purpose is to organize and improve international postal services and develop international cooperation in postal services, and provide postal technical assistance to Member States as far as it can. Khala Post (KPG) is a group international international postal business organization that covers postal services from countries such as China, Japan, Korea, the United States, the United Kingdom, France, Australia, Spain and Singapore.

The advantage of the postal system is that it covers a wide range of postal systems in various countries, but it is also a drawback since it is complicated. Therefore, the sellers of export CBEC should pay attention to the differences in shipping ports, the timeliness and stability of freight transportation when selecting postal delivery.

- **International express**

The international express delivery model generally refers to the four major international express delivery companies DHL, TNT, UPS and the Federation. These four international express delivery companies have a very well self-built global network, coupled with strong IT system support and localized services around the world, to provide the best logistics experience for cross-border online shopping users. However, the cost of these international express delivery is relatively high. For most enterprises who engaged in exporting CBEC, unless their customer has a strong time requirement, will not chose international express delivery generally.

- **China Domestic express**

China domestic express means EMS, SF and "four links and one", but in terms of cross-border logistics, "four links and one arrival(Shentong, Yuantong, Zhongtong, Huitong, Yunda) ” started relatively late, and now the international business of SF and EMS is relatively well-established. According to the research from SF website, SF has now opened express delivery services with the United States, Australia, and Asian countries such as Korea, Japan, Singapore, Malaysia, Thailand, and Vietnam. In Asia, express delivery are usually completed in two to three days. EMS is currently the most developed international express delivery service provider in China. Because of its postal system, EMS can deliver express between more than 60 countries around the world. It takes 2 to 3 days in Asia, 5 to 7 days in Europe and America, and costs, compared with the international express delivery four King Kong, is much lower.

- **Special line logistics**

Special line logistics means a lot oversea purchasers can share the delivery cost by integrating their goods together on one shipment. It can be regarded as a combination of local air transport and destination delivery. One of the advantages of this model is that it can be transported in large quantities, reducing transportation costs by its scale, so the cost is lower than that of commercial express, but its time is longer than that of commercial express. It is also significantly faster than the postal parcel. Now the special line logistics on the market includes Europe, America, Australia and the Middle East, South America, Africa and other regions.

- **Overseas warehousing model**

The overseas warehousing model is currently a very controversial logistics model. Its advantages is very obvious that delivery cost is much lower than others, so is its speed. However, for enterprises, there are many factors to be considered in preparing for overseas warehousing, especially for the volum estimation of goods' supply and demand. it can be clearly determined by the market demand by the way of judging weather goods can be easily stored or ship out from warehouse with a fast speed. If enterprise ant no excessive inventory problems, it required them have high capabilities in supply chain management, inventory control and sales management.

Overseas warehousing includes three processes:

Transportation process: Chinese sellers delivery goods to overseas warehouses by sea, air, land or inter-modal transportation.

Warehouse management process: Chinese sellers remotely operate overseas warehousing goods through logistics information systems to manage inventory in real time.

Local delivery process: Overseas warehousing centers deliver goods to customers via local post or courier based on order information

Based on above introduction about those five different logistics in China CBEC, here is a table below to list the main characteristics of them.

Table 18: Comparison of the Main Five Logistic System for China Export CBEC

Logistics model	Advantages	Disadvantages	Price	Time
China postal parcel	Having a wide network to cover majority of cities in world with a good price	Limited by weight, size and do not have return tax, its speed is slow and postal parcel is easily be lost during delivery.	106. 6 yuan per kg	20-50 days
Four main international express:DHL/FedEx/ups/TNT	Good service, fast speed, high delivery security, good for high-value goods with less weigh and small size	Easy to developed countries not developing countries. Price is high and changeable	160-180yuan per kg	3-7 days
China EMS and other domestic express companies	Fast delivery, lower price (compared with DHL/FedEx/ups/TNT)	Limited link choice	170 yuan per kg	10-20 days
Special line	Lower cost based on scale effect	Price is low but not is cheaper than postal precal ; limited logistics line options; only few cities have door-to-door service	94 yuan per kg	7-20 days
Oversea warehousing	Lower cost and short delivery period . Easily can win oversea customers trust ; Good return service	Inventory backlog risk; High requirement about the ability of supply chain management, inventory management etc. .	Local express price	1-7days

Source: own

3. 4. 2 The Main Logistics System of China Import CBEC

There are three main mode of China import CBEC:Oversea direct mail mode, Oversea mailing mode and import bonded mode. Bonded mode generally be used for the import company that at the first time to do foreign bulk purchase. In this mode, after goods purchased and be shipped

to sell country, goods share be stored in the bonded area and do bonded customs declaration. Once the domestic customers place the order for those goods, the order will be sorted, packaged and labeled, and be sent to custom platform for customs clearance, then be delivered through domestic logistics to its customers. While for oversea direct mail, it is regraded as personal purchase and will no need for custom clearance. More details about the difference among those three method as following :

Table 19 :Comparison of the Main Three Logistics System of China Import CBEC

Logistics type	Oversea direct mail	Oversea mailing	Bonded import mail
Business model	Personal purchase	B2C CBEC	B2C CBEC
Customs declaration	Depend on personal invitation or random inspection	Yes	Yes
Customs clearance	No	Yes but without commodity inspection	Yes and release customs clearance form
Commodity inspection	No	Random	Random
Tax payment	Random	100%	100%
Tax rate	Postal taxation	Custom tax 0% + 70% VAT + 70%consumption tax	Custom tax 0% + 70% VAT + 70%consumption tax
Delivery time	One month	10-15days	3 days
Return service	Not supported since its long period	Long period but partial was supported	Short period and supported

Source: 2016-2017 China import Cross-border E-Commerce Development Report

Among above mentioned logistics system, from the aspect of B2B enterprises, they can roughly be divided into three types:Self-operated logistics operation mode(like oversea warehouse logistics), third-party logistics (like both international and national express companies) and One-stop supporting service logistics(Taking the four-way express delivery as an example).

- **Fully self-operated logistics operation mode**

The fully self-operated logistics operation mode refers to a logistics operation and management method for e-commerce enterprises to establish their own logistics systems and to organize and manage specific logistics services in order to meet the specific needs of their own logistics business. In this mode, the logistics system generally occupy much more funds of the enterprise, which will easily cause the break of the capital chain. The scale of the logistics facilities is also difficult to control. In the initial stage of it construction, the transaction volume of the enterprise needs to cover the full use of logistics facilities to ensure its utilization rate, and if the enterprise want enlarge its scale, then a large amount of capital to invest is required in the expansion of logistics facilities, which has a high investment risk.

- **Overseas warehousing mode**

Overseas warehousing logistics is the logistics of one-stop control and its management services for goods includes:warehousing, sorting, packaging and delivery which are provided by the online foreign trade trading platform and logistics service providers independently or jointly for sellers at the sales target. For CBEC, the speed of transportation and the quality of transportation of overseas goods are often not guaranteed, but the speed of overseas storage mode is excellent. However, its construction cost is too high, and only when the product price is stable, the sales volume is large, and the frequency of each shipment is high, the profit of the merchant can be guaranteed.

Chinese scholar Yan Juanjuan(2017) began his background research on the rise of overseas warehouses in *the study of overseas warehouses in China's CBEC companies*. Based on her reseach, it is found that China's current major overseas warehouse model includes: self-built overseas warehouses, FBA overseas warehouses, third-party overseas warehouses. She compared and analyzed those three kind of oversea warehouses' respective characteristics as well as their strengths and weaknesses. The main factors affecting the choice of overseas warehouse models are studied from the macro and micro levels. The micro level mainly includes logistics costs, storage costs, safety and convenience, and the strategic positioning of the logistics system. Finally, the conclusions are as follows: The CBEC enterprises, like enterprises in the Amazon, which have just begun to design overseas warehouse business, small

and medium-sized enterprises that lack visibility and overseas warehouse operation talents, and enterprises that operate consumer goods are suitable for establishing FBA overseas warehouse model with brand recognition. It is also suitable for large-scale industries to choose its self-built warehouse that have localized business strategy companies and special products. For medium-sized enterprises with a high brand awareness and a large product marketing value and low added value, it is suitable for them to select a third-party overseas warehouse model. For large-scale companies with strong logistics management capabilities and product variety, they are suitable for comprehensive overseas warehouses.

- **Third-party logistics model**

Third-party logistics is the service provided by the third parties rather than by the demand part of logistics service nor its suppliers. A third party is an external service provider that provides some or all of the logistics functions of both parties to a logistics transaction. In a sense, it can be said that it is a form of professional logistics. Third-party logistics has been accepted widely in global CBEC since the specialization of logistics is important for any CBEC company. According to a study by the University of Tennessee(2018), the benefits of outsourcing logistics service to third-party logistics services include: 62% reduction in operating costs, 62% improvement in service levels, 56% in core business, and fewer employees. This study also explained the main reason why more and more CBEC companies choose third-party logistics service includes: First, Third-party logistics has the scale operation advantages and its professional service that are not available in CBEC enterprises, so that enterprises can benefit from the logistics business while providing transportation, warehousing and distribution services for e-commerce enterprises, thus enabling e-commerce enterprises to cut down their logistics costs significantly. Secondly, outsourcing logistics service to third-part can guarantee the company to focus on its main business by entrusting logistics business to third-party logistics enterprises by contract, which can reduce the funds occupied by inventory and the investment of fixed funds, this will help the company to rationally utilize limited resources, and concentrate financial, human and material resources to develop its main business to enhance itself. Thirdly, outsourcing logistics service to third part company can save social resource.

CBEC business has a long transportation distance and large cargo volume. If each e-commerce enterprise just build up its own logistics service system it will waste social resource, however, if all the logistics needs of all CBEC companies will specialize third-party logistics enterprises to effectively by integrating social logistics resources. But there are also some potential risk for this kind of logistics service model, for example, many e-commerce companies adopt extensive operation mode of operation, low control of logistics, and strong dependence on third-party logistics enterprises. It is easy for those enterprises to lack the initiative to control logistics business, covering areas and services since service quality is subject to third-party logistics companies. Besides, CBEC companies cannot obtain the first-time information such as the storage of products during the transportation process and the service attitude of logistics personnel. For old customers who have close contacts or customers with specific needs, the company cannot effectively provide personalized services. This situation is not conducive to the company to stabilize its own customer base, which in turn has a negative impact on its sales and profit margins.

To sum up, the logistics system of China CBEC can be divided into two main categories: export CBEC logistics system with five different types and import CBEC logistics system with three main types. For export side, the most popular and widely be used is China postal parcel by accounting for near 70% of CBEC logistics because of its cheaper price even though its delivery time is 20-50days, those mainly because of its well-developed network which can covering the majority of cities in world. Now oversea warehousing logistics model is increasingly grow up since its lower logistics price which take advantage of its economies of scale, but the risk of inventory backlog and the high requirement for enterprises themself about the abilities of inventory management and warehousing management are still the barrier for its future development. But it still be supposed to be main model of future CBEC logistics. Other three export CBEC, four main international express:DHL/FedEx/ups/TNT, China EMS, other domestic express companies and Special line are still play an important role in export logistics system. For China import CBEC, oversea direct mail, oversea mailing, bonded import logistics. Among them, bonded import logistics is greatly be influenced by China new policy

on the development of China CBEC, which will be introduced in details in next chapter. The other two now is the main methods of import logistics.

Even though the function of export and import logistics system play are not similar, they all can be roughly categorized to three types in B2B business mode of China CBEC: Fully self-operated logistics operation model, Overseas warehousing model, Third-party logistics model. Since self-operated logistics model generally take a large of fund resource of companies even it can perfectly meet companies' customers requirements. The third-part logistics model is still the main model of all since it have very obvious advantages for CBEC that other two can not provide. Finally the oversea warehousing logistics still is on it process to help different companies to find its best warehousing model.

3. 5 Taxation and Its Current Status in China CBEC

Taxation is the main source of national fiscal revenue. The role of taxation is mainly to gathering the scattered national income so that the government can use it to exercise its administrative functions. As a new business model, CBEC has completely broken the traditional trade taxation framework. Its appearance is not adaptable to the legal system based on traditional economy. This because that the tax-related features of globalization, fluidity, virtuality, imperceptibility, digitization and electronization of the object of trade and means of payment, prevent the existing tax system from directly applies in transnational E-commerce, greatly challenge the traditional tax system, affect these ability of state revenue and result in competition of tax benefit among countries.

Compared with general traditional trade, CBEC taxation has the following problems: On the one hand, CBEC transactions are huge, and the number of it is extremely large as well, and customs has difficulties in taxation implementation and supervision. If most taxpayers or traders do not do customs declaration based on their real transactions like refusing to report the true value of goods in trade, then customs officers need to check one by one, which is inevitable to cause mistakes. On the other hand, the scale of CBEC and global trade continue to expand, and the number of non-compliant enterprises in the world is accountable. It is impossible to

supervise all enterprises' taxation implement. By lacking regulatory mechanisms and corresponding punishment measures in this respect, the amount of tax loss brought to a country is also difficult to estimate. Hence, scholars from various countries have launched research on the formulation of CBEC taxation system to find the answers to questions like whether we should eliminate taxation for CBEC or not and if not, to what extent that a country should levy tax from imported products so that it can react its inner market without bringing negative impact on its national industries. Generally, the following aspects are the core of discussions.

- Whether there should be a new tax on CBEC?

Arthur of Canada Arthur (Cordell), Luke of the Netherlands LueSoete believes that a new tax should be imposed on digital communications in e-commerce, and they have proposed a "bit tax" based on online communication. The concept they proposed in 1994 caused a lot of reaction at the time. James Tobin, a professor at Yale University in the United States, also agreed to levy new taxes on e-commerce. Unlike the two experts and scholars, he advocated a transaction tax, which is based on currency flows. Of course, among those who support the imposition of new taxes, some people have proposed the concept of wanted taxes and computer taxes. Other scholars or countries do not agree to tax CBEC. They believe that taxation of business scorpion will limit the development of this industry, which is not conducive to online users. Supporting this practice represents the country's W, EU, OECD countries. .

- Tax administration issues for CBEC

Foreign scholars have not much research on CBEC and even e-commerce tax collection and management, but some people have discussed some aspects of CBEC taxation. Aim. James MelnikMikhail (2010) studied tax compliance for taxpayers by studying the sample they selected from eBay's sales record. The results showed that the seller's tax compliance was lower overall, and their tax compliance was TF compared to their time to eBay. LingCheng (2008) also pointed out that C2C e-commerce has been used by companies as an effective way to evade taxes, because C2C can cover up the company's income situation more secretly.

CBEC as a new form of trade and greatly reduces the cost of traditional trade. On the one hand, if this new trade method is exempted from taxation, especially export CBEC, it will The

country's foreign trade economic development has a promoting effect. On the one hand, if CBEC, especially import CBEC, is not taxed, it is vulnerable to the impact of foreign products on domestic industries, especially underdeveloped international. Different countries have different views on this issue.

Therefore the taxation policy that one country make for its CBEC can reflect the government attitude to the development of its CBEC. Having a overall review about the policy revolution of China CBEC can show how China government guide the development of its CBEC. Here will list the main policy which played a very important role in the the taxation revolution of China CBEC.

3. 5. 1 The Taxation Revolution of China CBEC Policy

According to the research from Liuqing Yang(2017) about Research on the Improvement of Transnational E-commerce Taxation System, here are the important policies that change the development of China CBEC:

"Several Opinions of the General Office of the State Council on Accelerating the Development of E-Commerce" (2005) . It is issued On January 8, 2005, by the General Office of the State Council of China and it is the first time that China has issued a comprehensive policy document specifically for the development of e-commerce, which fully affirms e-commerce. It is of great significance to promote the development of China's national economy, promote the adjustment of China's industrial structure, improve China's international competitiveness, and improve China's socialist market economic system and promote China's industrial restructuring, and improve China's international competitiveness. On the basis of acknowledging that China's CBEC is still in its infancy stage and still has a gap with developed countries, the government hopes to provide a better policy environment for the development of e-commerce in China through the promulgation of this document. The document pointed out that the relevant departments of our country should develop fiscal and taxation policies that encourage the development of CBEC, formulate preferential policies and strengthen the management for its

taxation to encourage enterprises to compete in the international market. This policy provided a clear guidance for the development of China CBEC and is conducive to the formulation and improvement of China's CBEC tax policy.

Notice on Implementing Policy Opinions on Supporting CBEC Retail Exports (2013)

It is issued on August 21, 2013 by the General Office of the State Council of China forwarded the Ministry of Commerce and other departments and propose to implement adaptation to e-commerce exports tax policy, VAT and consumption tax exemption or refund policy for eligible e-commerce export goods. This policy supported the development of China's CBEC retail outlets. Since January 1, 2014, China has officially applied VAT, consumption tax rebate and tax exemption policies to eligible e-commerce export enterprises.

Notice on Issues Concerning the CBEC Service Pilot Online Purchase Bonded Import Model(2014)

This policy was issued on March 4, 2014 by the General Administration of Customs and clearly stipulated that the imported goods for personal use purpose and within a reasonable quantity from overseas shall be taxed in accordance with the postal tax rate, and the goods subject to the import tax of not more than RMB 50 shall be exempt from tax. CBEC retail imports refer to the postal tax collection and this greatly promoted the development of CBEC in China. However, with the rapid growth of CBEC, the problem of unfair taxation between CBEC retail imports and traditional commercial import models has become increasingly prominent.

Notice on the Taxation Policy for CBEC Retail Imports (2016)

This policy was jointly issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on March 24, 2016 based on the above-mentioned problems. The document clearly stipulated that tariffs and import-related value-added tax and consumption tax shall be levied on goods imported into China through CBEC retail sales in other countries and regions, and shall be exempted from tariffs only within the scope of satisfying the single transaction limit and individual annual transaction limits. It is stipulated that the purchaser is the taxpayer.

From the above-mentioned taxation policies issued by China custom, we can clearly understand that CBEC brings opportunities and challenges to China, and it is emphasized the importance of international exchanges and cooperation. In China CBEC import and export, the original tax types continue to be used rather than develop an new tax types, and the tax jurisdiction of the source of origin is clearly defined in the CBEC import tax, and a fair competitive market environment is constructed step by step by the government. Besides, Corresponding tax rebate policy was applied in CBEC exports to promote the development of CBEC technology, this can ensure that China's e-commerce is competitive in the international community by improving a lower tax burdens to CBEC imports than traditional trade. With the development of CBEC, the tax burden will be raised accordingly, and the tax benefits of China will be maintained as well.

3. 5. 2 The taxation type for different China CBEC enterprises

Normally tariff and turnover tax like VAT, consumption tax are levied in China international trade. As what mentioned above, in China CBEC taxation system, the previous taxation system before 2016 still be applied for the taxation of China CBEC, even though the characteristics of CBEC taxation is not similar with that of the traditional international trade. Because of the business model of China CBEC can be specifically divided into business-to-business (B2B) trade model, business-to-consumer (B2C) trade model and consumer-to-consumer (C2C) trade model. Therefore the different tax types are levied according to above three types of CBEC respectively.

- Taxation policy for B2B business model

Because there are always a large volume of transactions in B2B CBEC, companies usually use the network and cross-border platforms to only release product advertisements and transmit transaction information to reach transaction agreements. In the actual procedure of goods delivery, offline transportation channels must be used. After customs supervision, this transaction model of CBEC is treated as a general trade method to be levied taxes. That is, the enterprise income tax, value-added tax, consumption tax and tariff are withheld in the import procedure. But no tariffs are imposed on most of the goods in the export procedure and the eligible enterprise units are exempted from the VAT payable, the consumption tax or can refund

paid VAT, consumption tax. Currently, the policy of reversing VAT and consumption tax on CBEC in compliance with the requirements of tax registration, customs declaration, special invoice for value-added tax, etc. and it will promote the CBEC retail industry to become more formal.

- Taxation policy for B2C business model

The “Notice on the CBEC Retail Import Tax Policy” was issued by China's Ministry of Finance, the General Administration of Customs, and the State Administration of Taxation on March 24, 2016, which clearly stipulated that CBEC imported goods should be subject to customs duties, import value-added tax and consumption tax, and consumers as individual taxpayers. Prior to the implementation of this policy, imported goods for personal use propose within a reasonable number are subject to taxation on the postal tax for non-trade personal postal inbound and outbound goods, and the overall tax burden on general trade imports is low.

In the old postal parcel taxation policy, items subject to the import tax of not more than RMB 50 under the original postal tax policy are exempted, and the tax rate for most goods under the postal tax is 10%, that is, the maximum exempted value of most goods is 500. yuan. CBEC imports are mainly consumer products such as milk powder, cosmetics, food, etc. The value of individual commodities is not high. As a result, CBEC enterprises used the tax exemption rules to take the goods into the country in order to obtain the short-term interests of the enterprises. Disperse delivery, evade the normal tax burden, and seize the market at a lower price.

In the context of the gradual expansion of CBEC in China, this phenomenon had continuously impacted the fair competition of the China national market, resulting in the loss of tax in China. In order to regulate the more benign and orderly development of CBEC retail imports, China has carried out tax reforms, which regards most CBEC retail imports as general trade taxation. China issued the "List of CBEC retail imports", listing the scope of retail tax on goods sold on CBEC platforms in the form of a positive list, and still levying taxes on goods not included in the list. In order to prevent the difference between the taxation methods of the two taxation methods, the Tariff Commission of China's State Council has carried out a simultaneous reform of the postal tax, which the old fourth tax rate (10%, 20%, 30%, 50%).) upgraded to the third

rate (15%, 30%, 60%). Among them, the 15% tax rate corresponds to the MFN tariff rate of zero commodities; the 60% tax rate corresponds to the consumption of high-end consumer goods; other commodities are subject to a 30% tax rate. Although China's CBEC retail imports are regarded as payer of trade imports taxation and the amount of taxation is higher than the previous postal tax, but China still provides certain preferential policies for CBEC retail import tax. CBEC retail imports are not exceeded in a single transaction.

In the case of RMB 2,000 and the annual transaction of the individual does not exceed RMB 20,000, the customs duties are not levied, and the value-added tax and consumption tax are only levied at 70% of the general trade taxable amount. For the circumstance that the transaction price exceeds the single transaction limit or accumulates value exceed the individual's year-end limit, and the price of a single indivisible commodity of the transaction exceeds RMB 2,000, the VAT and consumption tax shall be levied in full on the general trade. Compared with the original postal tax, the new tax system after the reform has indeed improved, but the overall tax burden is still lower than the general trade comprehensive tax rate, this can reflect China government's attitude of encouraging the development of China CBEC. Belowed table shows the details of this taxation reform for B2C model of China CBEC.

Table 20 : Taxation Reform for B2C China Import CBEC in 2016

New taxation policy for B2C model of CBEC ¹⁹		Taxation policy for post parcel		
Tax and duties	Rate	Personal postal articles tax category	Goods categories	Tax rate

¹⁹ Normally the B2C model of import CBEC means the bonded import model, which includes bonded warehouse model and bonded direct mailing model.

Import tariff	Temporarily set at 0%	1	Books, magazines, and educational audio-visual products; computers, video recorders and digital cameras; food, beverages; gold and silver; furniture; toys, games, festive and other recreational articles	15% ²⁰
Value-added tax (VAT)	Levied at 11, 9% (70% of standard VAT)	2	Sports goods, fishing equipment; textiles and textile products; TV cameras and other electrical appliances; bicycles; other goods not included in categories 1 and 3	30%
Consumption tax	Levied at an equivalent to 70% of the standard rate ²¹	3	Tobacco, wine; precious jewellery and jade, golf clubs and equipment; high-end watches; cosmetics	60%

Source: own

However, this taxation reforms in the import of B2C in China CBEC is still insufficient. First, the concept of CBEC in Notice on the Taxation Policy for CBEC Retail Imports (2016) is not clearly defined. Secondly it is not clear whether the income obtained by foreign e-commerce in China is equally applicable. Thirdly, the notice also applies only to the sale of tangible goods, which cannot be covered for services and intangible goods.

- Taxation policy for C2C business model

In the C2C trade model, the seller's operator is an individual and does not need go to the industrial and commercial department to register their business or go to the tax authorities to pay taxes. Registration, the tax authorities can not clearly understand their business conditions,

²⁰ Before 2016, there were 10% for one category and 15% for one other category. After 2016 the two was combined into one type.

²¹ This is applicable to the type of goods 3 . Tobacco, wine; precious jewellery and jade, golf clubs and equipment; high-end watches was excepted.

and they can not accurately calculate their taxable amount. China has not yet made clear taxation regulations for this platform. For individual trades such as Wechat business and Daigou²², it has been tax-free, lack of supervision, and there is a problem of unfair taxation. Consumers are greedy for cheap goods but cannot accurately understand the source of goods and goods quality.

3. 5. 3 Advice for Future Development of China CBEC Taxation Policy

Although the new taxation policy for B2C imports of China CBEC provides certain tax protection for import CBEC, Objectively, the tax burden of CBEC operators has been increased. But in the long run, e-commerce technology will be enhanced and the labor productivity is also constantly improving. On the one hand, the production cost will continue to decrease. On the other hand, the scale of the e-commerce audience will gradually expand, which will surely reduce the burden of taxation. At the same time, the state's support and regulation of e-commerce related fields, the development and application of e-taxation platforms by tax authorities will also reduce the taxation cost of e-commerce. While to promote the development of China CBEC, for B2C, China government can clarify in the policy to CBEC import retail tax by including the income of foreign e-commerce in China. That is China government should increase the provision of services and intangibles to consumers in China through e-commerce. For C2C, China can regulate the sales of consumers such as Wechat business and Daigou to consumers in China through the electronic platforms when the practice of CBEC import retail tax is mature, and incorporate the CBEC retail tax applicable transaction. In the same way, C2C is given appropriate tax incentives to provide a relatively loose tax environment for C2C platforms, so as to avoid the excessive tax burden on C2C operators with less profit, which will cause their business enthusiasm to be frustrated.

Summary

²² A type of oversea purchasing, which the oversea buyers purchase goods as an individual and sell goods to domestic individual buyers later.

To sum up, in this chapter, the infrastructure of China CBEC was studied from five aspects: business model and platforms, payment platforms, custom clearance types, logistics system and taxation system. For business models and platforms, it can be found that there are also three main business model of China export CBEC : B2B, B2C and C2C. Also there are two main business models of China import CBEC: the bonded imports and direct purchase imports. In export CBEC, B2B is the main business model of China export CBEC by accounting for nearly 83% of all. B2C and C2C now is increasing with a fast speed. In import CBEC, bonded warehouse model (B2B2C) and direct mailing model(B2C) obey different principles. ‘stock first, order later’ is the principle of bonded warehouse model, which means products can be imported in bulk into warehouse which is located at approved zones at first and be sold on CBEC platforms later. “Order first, deliver later” is the main principle of direct mailing model. Once customers place orders from CBEC platform, the information about the order including delivery, payment and order number will be submitted to customs system. Even the taxation policy is same to those two model but their delivery time are different. Bonded warehousing model can save much more delivery time but it can only provide its customers limited choices. Based on the different requirements for business models in both export and import China CBEC, there are three types different platforms: self-run E-commerce model, the information platform model and the integrated service provider model. For the aspect of payment, different with traditional international trade, third-party payment platform is needed in CBEC. In China, Alipay is the biggest third-party payment platform for both domestic market and China CBEC market. In this part, by comparing with traditional payment system, it can be found there are several advantages that third-party payment has, like, more safety and convenient, also under third-party payment platform, information about order, logistics, payment can be well-integrated. From the aspect of custom clearance system, how government supported electric custom clearance system works was introduced. According to the type of imported or exported goods, the procedures of their custom clearance are different. There are three types of goods: general exported goods, bonded exported goods and bonded imported goods. Those three different types of goods obey different rules to do custom clearance. From the aspect of logistics,

there are two big categories of logistics in China CBEC: export logistics system and import logistics system. For export logistics system, there are main five types of them : postal parcel, international express, China domestic express mode, special line logistics and Overseas warehousing model. Among them, China postal parcel is main model for most export CBEC companies because of its cheaper price. For import logistics system, there are main three types: overseas direct mail, overseas mailing, bonded import logistics. Now bonded imported logistics is going to be the main import logistic. From the aspect of taxation, the key policies about taxation reform was introduced . It also can be found that different type of business model should pay different tax rate.

4. THE SWOT ANALYSIS AND PROSPECT OF CHINA CBEC

In this chapter, a detailed SWOT analysis of China CBEC will be given by studying both internal and external aspects of China CBEC. Then relative examples for SWOT analysis will given as well and based on the analysis result, some general prospects of China CBEC will proposed.

4. 1 The SWOT Analysis for China CBEC

The SWOT analysis method, also known as the Dow matrix, was proposed by the management professor of the University of San Francisco in the early 1980s. It is mainly used in corporate strategy, market environment analysis and competitor analysis, etc. The situation analysis of

the environment and market competition, comprehensively consider the advantages and disadvantages existing within the enterprise, as well as the information existing outside the enterprise and the threats come from competitors. A completed SWOT analysis can help the company to make clear its position on its development. Similarly ,a completed SWOT analysis about China CBEC can identify its development situation and will be useful to discover its weakness, strengths, opportunities,threats from inside and outside.

In the SWOT analysis of China CBEC, strengths(S) and weaknesses(W) are the internal factors of the CBEC industry, Opportunities(O), threats(T) are the external factors that affect the development of CBEC. Citing the concept of corporate competitive strategy, SWOT is extended from the enterprise to the industry, organically integrates the advantages and disadvantages of the CBEC industry, environmental opportunities and threats, and derives the future development strategy of CBEC.

4. 1. 1 The Strengths of China CBEC

The strengths of China CBEC mainly refers to the advantages existing in the current development of China CBEC. It can be studied from both the aspects of macroeconomics and microeconomics of China, which means what the specific advantages that China CBEC has by compared with other countries' CBEC in same era. From this point of view and according to what analysed before, here are the main strengths that China CBEC

- **Powerful Chinese manufacturing industry**

China has emerged as the world's largest manufacturer as every known. China is a country with a strong manufacturing industry. China produces a wide range of products with a full range of kinds and China is also the origin of many commodities, those can provide sufficient and stable products supply for Chinese CBEC companies. According to the "China Foreign Trade E-Commerce Report" published by eBay, electronic digital products, clothing and accessories, mobile phones and accessories, jewelry gemstone watches, auto parts, etc. are most popular products to ebay buyers. From this aspect, it can be seen that by relaying on a such strong Chinese physical commodity market to obtain a stable supply of goods resource, China CBEC

can be developed rapidly. For example, Alibaba, one of the representatives of China's CBEC companies, had had a deep understanding of the power of China's manufacturing before it target the world market and started its business. Alibaba has developed rapidly in the "Internet +" environment by establishing close ties and long-term cooperation with domestic manufacturers and retailers under the help of China's developed manufacturing industry.

- **Huge“Chinese goods” demand from world market**

In 2013, Paypal conducted a sample survey of consumers in the five CBEC markets in the United States, the United Kingdom, Germany, Australia and the West. The survey found that there are more than 60 billion online shopping needs on Chinese goods that the five major CBEC markets had in 2013 and the demand still continue growing now. It was expected that by the end of 2018, the demand for online shopping for Chinese goods in five countries will exceed 140 billion. Behind this huge number is the huge demand for Chinese products from all over the world. At present, China has become the largest e-commerce market in the world, and the scale of cross-border online shopping in China has also increased year by year. On the one hand, China's products are cost-effective which attract increasing number of customers from different countries. On the other hand, according to Hongyu Cao(2018), the CBEC orders are small, high-frequency, direct, and this character just cater to China's massive SMEs which can cut down the delivery costs and make the goods even more cheaper. The demand for a large number of small and medium-sized enterprises in China can provide a continuous supply of goods to the international market through the CBEC platform to meet the international market demand for Chinese products.

- **Rapid Development of China's CBEC Platforms**

According to incomplete statistics from China E-commerce study center, China now has more than 5, 000 e-commerce platforms and more than 200, 000 foreign trade companies use CBEC platforms to develop their cross-border foreign trade transactions. The CBEC platforms bring about the reduction of the intermediate trade links, which makes the transaction costs of

domestic e-commerce companies and overseas customers significantly reduced, it also shortens the transaction process and operation cycle, and accelerates the capital turnover.

To promote the growth of the CBEC platforms, the Ministry of Commerce has also proposed an effective enhancement policy is highly probable that China domestic e-commerce will be used in CBEC.

- **Chinese government strong supports**

The booming CBEC in China in recent years has attracted close attention from the Chinese government. Therefore China government has actively introduced policies and measures to remove the obstacles in the development of cross-border foreign trade enterprises and try to create a favorable environment for its development. The National Development and Reform Commission and the General Administration of Customs officially launched the pilot project of national CBEC services in December 2012 as what mentioned in chapter 3. The State Council and the Ministry of Commerce launched six foreign trade countries in August 2013. This is the first time that the Ministry of Commerce officially expressed its policy support for CBEC. Later “4. 8”taxation reform as norms policy in 2016 also play an important role to promote the development of China import CBEC. That is to say, the third-party CBEC platform and the export enterprises that use the development of the platform will be strongly supported.

- **The increasingly influence of China economy**

China is currently increasingly influential in international economic cooperation organizations such as APEC, ASEAN, aWuge Lind WT. With the frequent international trade between China and other countries. China domestic e-commerce companies can more easily and quickly grasp the consumer demand in the international markets and take the advantage of China international trade policies and information to become CBEC companies. This will be helpful the increase of China CBEC. This also will bring more benefits to existing China CBEC companies, especially the development of their logistics system. Because compared with domestic e-commerce logistics in China, there must be increased difficulty in China CBEC logistics. Therefore, if there can be a unified large market between different countries and regions, the logistics market will be doubled while the risks and costs will be decreased.

4. 1. 2 The Weakness of China CBEC

The main weakness of China CBEC can be explained that the shortages or problems that China CBEC faces now and those problems can be solved in a short time since they are belong to the internal factors of China CBEC. Those weakness come from the management ability of its industry or the relative law and regulations environment in China, the infrastructures of its industry. Those problems only can be solved by the self-improvement, so the specific weakness of China CBEC can be changed as the stage of its development changes. Here only the main weakness of China CBEC in its present stage are introduced

- **Imperfect management system**

In China CBEC industry, the current development level of its platform, logistics, customs clearance and payment has not meet what its fast growing needs. At present, the main goal to CBEC development in China is now updated to an industry with the characteristics of “convenient, fast, and linkage”. With the help of world trade facilitation, CBEC management system has been improved a lots, while the development of corresponding supervision and customs clearance is still lags behind it. For example, there are total 16 departments of China government are involved in the management of CBEC, but the regulatory systems are dispersed which makes CBEC enterprises inconsistent in CBEC. Beside, the efficiency of China CBEC customs clearance procedures is low and the operating costs is high as well, all those will stop China CBEC to get a far more step on its development. Currently the CBEC in China has shown a retailing trend, this will result in problems, like the fragmentation in management system will be exaggerated and the difficulty of supervision will be increased. What cause those happen mainly because of the imperfect management system in China CBEC, since procedures like customs clearance and inspection and quarantine control still be carried out by the old system. For example the customs declaration work still is done by manual work rather than by electronic system. Therefore increasing number of customs declaration documents which come from CBEC can only increase the system work burden. In addition, in China, only some professional customs declaration companies and multinational logistics companies have the right to do custom declaration, which means most import and export trading companies in China do not

have the right to do customs declaration by themselves, this results in increasing the burden on customs declaration enterprises and will block the circulation of trade processes speed.

- **The imperfect internal payment platforms**

Cross-border payment always plays an important role in the development of the CBEC. Different from the traditional international trade system, third-party payment institutions or platforms make cross-border payment more safe and convenient for overseas customers. However, according to the research from Hongbo Zhang (2018), compared with well-developed China domestic payment platforms, the third-party payment in China CBEC now lacks of a mature and unified management system, which leads to some potential risks and problems. For example, on one hand, since there is no specific and official requirement and standard for the credit management of third-party payment, some third-party payment has credit problems still exist and pose potential risks on overseas customers. Besides, users on third-party payment platforms can use fake personal information to register accounts which increase the risk of payment since it is hard for the third-party platform to distinguish the credit level of accounts. On the other hand, anonymous trade can exist under the environment of third-party platforms, which cannot be audited and supervised by the government and this increases the possibility of illegal trade. Those problems provide users with poor credit opportunities to not perform the trade contract, which will create a negative impact on the development of CBEC. What's more, even the CBEC is a paperless trade which means the payment information also should be electronic information rather than information written on paper. This improves the efficiency of trade but also increases the trade risk as well since the truth of transaction information needs to be audited. However, the complexity and nature of cross-border transactions increase the difficulty of identifying the payment and technology. At the same time, internet crackers and internet viruses also pose a risk of internet payment.

Besides, in China CBEC, third-party payment platforms like Alipay, Tenpay, and Jingdong online banking are widely used. However, according to the research result from Hongbo Zhang (2018), compared with PayPal, which covers more than 200 countries in the United States, China third-

party payment companies are less internationalized and cannot generate greater international influence. As a result, they have not been accepted by overseas e-commerce companies and buyers. However, the foreign third-party platforms generally have problems such as charging high interest with slow capital turnover, which seriously cut down the benefits and net profits of China CBEC enterprises. The study found that the payment platform fee that Chinese CBEC needs to pay is account 3% to 5% of the total cost, which is too high for companies with small profits. In addition, China CBEC domestic payment platforms also face a series of security risks such as slow capital recovery, which is not conducive to the maximization of its cost-effectiveness.

- **The lagging development of logistics system**

There are many problems in the logistics of CBEC in China. First, China's logistics cost accounts for 15% of GDP, compared with less than 10% in developed countries, which is particularly high. The high cost of logistics is an obstacle to the development of cross-border transactions in China. Secondly, cross-border logistics is still the core link in the supply chain system of information flow, capital flow, logistics and user flow. However, the development of China's logistics system always lagged behind the requirements of China CBEC rapid developed, and the current logistics has not been integrated into the whole system completely. Moreover, according to the research of Shanchun Li(2017), China's logistics mainly resorts to third parties, and more than half of the merchants choose to use foreign logistics distribution centers. Due to high cost, low efficiency and inadequate service, China's logistics industry has been decentralized in cross-border logistics. At the same time, China's logistics industry has poor ability to distribute and track goods in retail logistics, and also because of the difficulty in maintaining cross-border packages, these have increased the difficulty of customs clearance in cross-border logistics. Due to the differences in customs policies of different countries, the review of inbound and outbound goods is different. In such a logistics environment, not only the cost of enterprises will be increased but also the arrival time of goods in delivery will be delayed. Therefore, the key to achieving fast and efficient cross-border transactions is to

improve the environment of China internal logistics system and the efficiency of customs declaration.

- **The less competitive Chinese brands**

With the development of China economy, China manufacturing industry has experienced a rapid growth period. As “the global manufacturing center” and “world factory”, although China commodities can be purchased easily from over the world, the performance of China bands are not satisfying. Only few Chinese brands are well-known in the world. A lot of small medium-sized manufacturing enterprises in China have get the awareness of band importance but they do not have the ability and also are unwilling to invest in their brand building. On the direct sales platform of CBEC, it is relatively easy for enterprises to establish brands, and the cost is not high. Therefore, there are large and small brands on the CBEC platform, but well-plan of them are not well-planned and are not competitive. Although the essence of corporate brand competitiveness account on the quality of products, but the operation and promotion of brands is also important. CBEC has entered a period of rapid development since 2014, and the brand internationalization strategy has become an inevitable trend in the world. The new starting point for CBEC is the implementation of brand strategy. With the improvement of the CBEC system in recent years, the prime period of CBEC divided has passed. In the future, the development of CBEC will just more focus on brands and services. However, in recent years, China is still at the lower end of the global value chain. The low brand awareness of Chinese products has become a common problem for CBEC SMEs in China. Product homogenization, price wars, neglect of brands and services will inevitably slow down the development of China's CBEC in the later period. At the same time, China's CBEC expored products are mainly concentrated in consuming goods, such as clothing, luggage and electronic products which are lack of high technology added value, thus just slow down the development of China CBEC. At the same time, many CBEC companies in China are not very aware of their brand, resulting in there are always a variety of low-priced goods with different size but no much creativity. Some dishonest merchants even sell goods of the same look but worst quality to cheat consumers in order to

earn more profits. Whose will damage Chinese products reputation. Thus, Chinese goods which occupied the world market always rely on its low prices rather than on brand image and quality. This will only lead to the reduction of CBEC profits in China and curb the development of CBEC in China. Under this circumstance, China brand marketing is more important than ever. However, the increasing cost of digital marketing make Chinese enterprises hard to build their own brands . According to survey, take the cost of google adword for example, one same word now cost more money than past years.

- **Fake or inferior quality commodity**

Due to the weak awareness of intellectual property rights, some Chinese mechanisms in order to get a high profit from selling in-time popular goods without pay the intellectual property right fee, they started to sell fake products. For example, according to the research of Ziyao Su, Yuyue, Shiyang Li(2019), in some underground big factories in Yiwu and Guangzhou, China, the imitation goods of some well-known brands of high-quality were produced and sent to Europe and the United States markets through China Post Express. Then those fake goods may return to the Chinese consumer through the China CBEC platform. Take Alibaba's Taobao. com as an example. As long as a product gets popular in China due to some internet celebrity or online media, it will not take long for us to find similar fake products on Taobao, such as the "fake coat" of the same brand with not only the same style, but also with similar brand, this infringe the rights and interests of consumers;

The imitation of foreign products in style, or the misappropriation of their brands, will also infringe the intellectual property rights of foreign companies. Even though many overseas purchasing merchants indicate 100% authenticity, since the CBEC platform only provides payment guarantee and transaction sharing, the identity of the purchaser and the authenticity of the buyer and the product cannot be completely discerned, The problem of how to identity the goods resource has become the main factor restricting the scale growth of CBEC. Once it touches the overseas intellectual property red line, the company will face a series of lawsuits, disputes and compensation, which will not only pay a lot of time and economic costs, but also

affect the public image and credibility of the company and in end hinder the healthy development of China CBEC.

- **The lack of CBEC talents**

CBEC customers come from all over the world, they have different languages, cultures and customs, and these differences will make CBEC transactions more complex. As an excellent e-commerce practitioner, especially the CBEC business practitioners, they must understand and master high-intensity knowledge such as computer network, online payment, logistics, etc. However, this comprehensive talent is still relatively Less, it takes a long period of time to train this type of talent. According to the research from Qingyan Wu, (2018), the talent demand in the CBEC industry is mainly concentrated in three categories: talents for business-oriented, talents for technical, management that involved in websites and platforms and talents for others. The three categories of talent demand accounted for 60%, 25% and 15% respectively. And there are two significant characteristics of the demand of CBEC talents. Firstly, they should be younger. Unlike traditional industries, experienced seniors in other industries can change their careers. Secondly, internationalization requires those talents to have a global view in the job. The lack of specialist of CBEC decrease the speed of its development. There are two key reasons behind this : First of all, the majority of international trade talents just come from traditional trade and most of them just know English, while there are a few talents know minor language, like Arabic, Russian etc. which is badly in CBEC. Secondly, there are much more requirements for CBEC talents, they should not only have advanced language ability but also should know well about international trade and oversea customers' consumption habits and the international rules, international settlements, logistics, insurance, custom clearance and so on. For present, talents have those ability are really rare.

4. 1. 3 The opportunities of China CBEC

The main opportunities of China CBEC can be explained that the main chance that China CBEC can have by taking the advantage of the external environment of China economic, for example, the relation between China and other countries or the new project which launched by China government.

- **The increasing closer economic relationship will promote the development of China CBEC**

CBEC means different customs from different countries do cross-border purchase. Compared with domestic e-commerce, it asks for high efficiency of transaction and create high transaction costs as well. Therefore, if there can be a unified large market between different countries and regions, the market size will be doubled, and the risks and costs of transaction will be decreased at the same time. Therefore, the advantages of cross-border B2C in the EU, North American Free Trade Area and other places are obvious. On the contrary, if there is a lack of cooperation between countries or there is lack of environment of uniform customs supervision and other conditions, CBEC transaction will be hard to complete. According to the WTO report(2018), at present, China's influence in APEC, ASEAN, WTO and other international economic cooperation organizations is growing, especially under the influence of China's the one belt one road project. Due to frequent trade transactions between China and other countries, Chinese domestic manufacturers can be more easy to follow consumer raid demand in the international market, combined with the help of international preferential trade policies and the increasingly transparent trade information, there is a good environment for China domestic e-commerce companies to launch the CBEC trade with other countries. For example, China-Korea Free Trade Zone has also created a very favorable condition for China's economic and trade exchanges in East Asia. Besides the geographical advantage of China and East Asian countries can promote their economic cooperation as well, especially compared with establishing cross-border logistics system with other far away regions, China and other East Asia countries obtain much more obvious advantages.

- **The preferential world trade policy and supportive policy from China government will accelerate the development of China CBEC**

Characterized by fragmentation, small singleization, and mobilization, current CBEC development has shown it new trend under the influence of global preferential trade. In the new era of CBEC, small and medium-sized enterprises and even individuals can participate in international trade. Different from the traditional form of international trade, the fragmented

trade form refers more to cross-border retail, or small cross-border trade. That means foreign trade transactions that could only be completed through importers and exporters in the past buyer and sellers can be easily found from all over the world through the Internet. According to the result of Huangyu Cao,(2018), this may bring more development opportunities to the SMEs in China, and combined with the development and maturity of CBEC platforms such as Alibaba AliExpress and Dunhuang. com, which will enable many Chinese SMEs to enter the global market. Through CBEC, it is easier to create Chinese own brand and sell the product directly to the end consumer.

Together with the introduction of China's CBEC-related intensive policies, it has also created a good environment for the development of CBEC industry. According to the Ministry of Commerce of China, from 2013 to 2017, China has successively introduced 17 policies related to CBEC, involving taxation policies, foreign exchange policies, inspection and quarantine policies, customs supervision policies, and pilot test policies. It has proved that the constantly optimized policy environment creates space for the further development of China CBEC.

Apart from those, in order to make China's CBEC trade develop better, in March 2015, the State Council of China agreed to establish Hangzhou as a CBEC comprehensive experimental zone. The establishment of the CBEC comprehensive experimental zone in Hangzhou marks a new stage for CBEC in China. In January 2016, Tianjin and other cities were established as a new batch of CBEC comprehensive experimental zones.

- **The increasing demand of high quality products for Chinese will enlarge the China import CBEC market.**

With the increase of China's per capital income, the "post-80s" and "post-90s" consumer groups have become the main buyers of market consumption. Compared with their parents, this new generation of consumer groups has more personalized and fashionable consumer demand, and they are more intend to purchase foreign products from CBEC. Their increased demand for foreign brands has also contributed to the development of CBEC. At present, China's per capital GDP has exceeded 7, 000 US dollars. This means the improvement of people's living standards will inevitably promote the deep transformation of China industrial structure. which also will

certainly promote the transformation of domestic consumption patterns in China. Since more and more consumers will no longer be satisfied with China domestic products since normally the Chinese goods quality is not good and they are beginning to seek various types of foreign countries. The increasing demand of well-known brands of luxury goods in recent year can be shown on the China import CBEC platforms. Alibaba is based on such consumer market characteristics, seize this opportunity to launch Taobao Global Shopping, Tmall International Platform and Yitao.com to provide consumers with a one-stop overseas shopping platform to meet the growing consumer cross-border shopping.

- **New Opportunities for China's CBEC Development under the Belt and Road Project**

2018 is the sixth year that the “Belt and Road” project was proposed. The “Belt and Road” project is a large government project proposed by the Chinese government based on China's economic development needs and to promote world economic growth, economic environmental, and economic development. CBEC, as a new foreign trade format, has provided new impetus to the economic development of the countries along the “Belt and Road” project. China's customs statistics report (2017) that in 2017, China's total import and export value of countries along the “Belt and Road” reached 7.37 trillion yuan, a year-on-year increase of 17.8%, an increase of 3.6 percentage points higher than the national foreign trade growth rate.

According to the “2017 China E-Commerce Development Report”, on the one hand, the CBEC policy of countries along the “Belt and Road” has gradually liberalized, as well as the increase in disposable income and the increase of Internet penetration rate as well as payment and logistics. With the further improvement of supporting service facilities, the development of CBEC in China will be further improved. On the other hand, the quality brands of countries along the “Belt and Road” will also enter the Chinese market through CBEC channels, this will help to upgrade China's market consumption. At the same time, the survey data shows that through the “Belt and Road” project, “Made in China” is exported to Russia, Singapore, Saudi Arabia and other “Belt and Road” countries through CBEC platforms; correspondingly, from Lithuania, Tajikistan, Romania, etc. Products from more than 50 countries have also

entered the Chinese internal market with CBEC. Among the countries along the “Belt and Road”, Russia, Israel, Thailand, Ukraine, Poland, Singapore and other countries have the most close trade relationship with China CBEC, and they are most closely connected with China. Russia is the country with the largest import country of China CBEC, while Moldova is the country with the highest penetration rate of China export cross-border. Chinese products such as mobile phones and accessories, clothing and accessories are the most popular among CBEC. Most of the countries along the “Belt and Road” project are emerging economies and developing countries, and are generally in a period of rising economic development. Moreover, from the perspective of the market, there are 110 million netizens and 30 million online shoppers in the Middle East and North Africa alone, and the annual growth rate is 26%, which has huge market potential. From the development prospects of China CBEC along the “Belt and Road” countries, the Internet penetration rate of all countries is on the rise, and the future development potential is great. Among them, Internet penetration rates in some countries such as Singapore, Lebanon, Israel and Russia exceeded 70% in 2014. These countries have better Internet infrastructure, and their e-commerce industry is developing rapidly. which lays a good foundation for China CBEC.

4. 1. 4 The Threats of China CBEC

The main threats of China CBEC can be explained as the potential risks that the external environment of China cross-order e-commerce industry bring it. It can be analyzed from the aspect of its oversea competitors, the global international trade environment or China economic environment and so on.

- **Intense competition from overseas service companies**

The huge cake of CBEC will inevitably attract many industries and enterprises to participate in competition, which will intensify the competitive environment of CBEC. China's domestic CBEC platform has encountered strong challenges from foreign e-commerce companies such as Amazon and E-Bay. In 2014, Amazon introduced the "Black Friday" shopping concept of the United States to China, and formally confronted Alibaba's "Overseas Buy". China's domestic Alipay has gradually entered the CBEC payment with a good foundation for third-

party payment in China, but Paypal, as the world's largest online payment company, plays an important role in third-party payment institutions. Paypal's business supports 25 currency transactions in 190 countries and regions around the world, and is the maker of online payment industry standards, which dominates the global payment market. China's domestic payment platform, such as Alipay, needs to continue to strengthen its own construction and use internationalization and security to compete against it.

In the field of international logistics, international express delivery is generally monopolized by large foreign companies, such as UPS, FEDEX, DHL, etc. The ability of these companies to apply advanced technology to the logistics sector is not what China domestic express delivery companies to compare with. Take China domestic postal parcel as an example. A single international express package often takes 6 to 15 days. This has a large purchase risk and negative impact on consumers experience. If there is a return need, it will take more time. Online shopping is a kind of convenient consumption. If the arrival time is not security, it will greatly reduce consumers' desire to purchase. Therefore, export companies are generally more willing to let UPS, FEDEX companies whose charges may be higher but work efficiency is higher to carry out their logistics service. However, the China postal logistics industry also has its own advantages, such as easier access to the trust and support of governments. Domestic logistics companies must speed up the search for forms that meet their own characteristics.

- **Increasing trade protectionism policy from other countries.**

With the rapid expansion of CBEC business, countries have introduced policies to protect local retail industry. The Australian government announced that it will impose a 10% VAT on CBEC from July 1, 2018, the value of online purchase less than AU\$1,000 does not need to pay this tax. Amazon announced that it will no longer ship to Australian address customers from overseas websites after the New Deal comes into effect. Other countries are also introducing tax policies for CBEC. Cross-border export e-commerce sellers need to maintain their attention to the policies and regulations of the target market, comply with the policy requirements of third-party sales platforms, maintain compliance operations, and if necessary they should seek legal help and adjust their corresponding business strategy.

- **The deficient development of laws and regulations in China CBEC.**

The rapid development of CBEC under the environment of traditional laws and regulations has gradually exposed its problems during the process of customs declaration, products inspection and goods quarantine, taxation and so on. For example, the information system of CBEC platform is imperfect since many links of them lack of matching legal provisions, and the nature of paperless work in CBEC makes the transaction links generally lack of contract text, which is highly prone to disputes. Moreover, some of the related legal provisions in China only can be applied to China internal e-commerce not to CBEC, which seriously affects the development of CBEC in China. Also because it is unable to integrate China CBEC with developed countries, the difficulty of goods supervision will be increased. The most prominent issues are the supervision of commodity quality and customers' rights protection. If consumer rights are highly vulnerable, such as online fraud and counterfeiting, which will have a great impact on the credibility of CBEC.

Besides there are some credit problems in some shops of China large-scale e-commerce platforms such as Jumei, Vipshop, and NetEase Koala, many other small e-commerce platforms have a lack of credibility. Their untrustworthy transactions makes oversea consumers lose confidence in China CBEC platforms. To prevent this kind things happen and protect the reputation of China CBEC, China government has introduced relevant laws and regulations on CBEC industry, such as the "Notice on Implementing Policy Opinions on Supporting CBEC Retail Exports" launched in 2013, and the "Promotion of Supporting Stable Growth of Foreign Trade" Opinions and the "13th Five-Year CBEC Industry Research and Industrial Strategic Planning Analysis Report", the "AQSIQ's Statement on CBEC Retail Import Customs Clearance Policy" launched in 2015, "Announcement on Regulatory Issues Concerning CBEC Retail Import and Export Commodities" in 2016. However, due to the large differences in the control of commodity trade between different countries, the difficulty of trade supervision has also been increased greatly. While China regulatory measures for CBEC have not yet been established.

- **The development of China CBEC insurance services lagging behind**

The platform security is always an important part of online shopping, especially for CBEC. In the process of CBEC development, the risks faced by sellers of CBEC platforms are not only due to the buyer's failure to pay due to the common reasons such as the delivery of the wrong goods, the delay of the delivery or even the loss of the goods. According to Lizhag(2018), there are several reasons for this: firstly, the relevant regulatory authorities didn't encourage commercial insurance companies to provide such insurance products to the market. For example, there is no special fund to subsidize underwriting enterprises to increase market acceptance in the form of lowering their market prices. Like for countries and regions along the "Belt and Road" with special geographical conditions and infrastructure construction, there is no specific CBEC business to meet the actual needs of insurance products. Secondly, the CBEC platform did not introduce an insurance mechanism to provide risk protection for platform sellers. At the same time, in addition to CBEC platforms, strong cross-border logistics companies and other industry chain related business entities normally also did not buy similar insurance products they need. The Chinese government should pay attention to this issue by gradually establishing and improving a sound insurance service mechanism to alleviate and prevent the risks arising from CBEC due to its wide coverage and long industrial chain, and to enhance the discovery capability of potential problems and the ability to handle emergency time. To provide a good guarantee for the development of CBEC.

● **The polarization of the development of China CBEC industry**

The Matthew effect ²³ in the CBEC industry is very strong, that is, the stronger will become more stronger, the weaker will become more weaker. As a result, this lead a strong polarization in China CBEC industry. According to the data of the Overseas Trade Federation, in 2014, not only the large-scale e-commerce in Shenzhen, Guangdong Province, achieved rapid growth, but also the performance of many large-scale CBEC companies exceeded 2 time growth, and sales are also more than 2.5 billion, in contrast to this, small and medium-sized sellers have a poor performance in terms of both sales and profits lagging behind large CBEC. This is

²³ The Matthew Effect is social phenomenon often linked to the idea that the rich get richer and the poor get poorer.

because compared with small or middle size CBEC companies, the large CBEC companies normally have a deep understanding of the industry and they can effectively carry out marketing, programs and channels well, they also have more mature and efficient supply team to support them to easily take the advantages of CBEC. according to Alibaba data, for the efficiency of using the same network marketing channel, the large-scale companies is 5-10 times that of small and medium-sized. That means large-scale companies can quick access to network marketing channels by their mature operation. While since small and medium-sized companies only open stores to sell goods on platforms, which is bound to be trapped in price war and homogenous competition, and it is difficult for them to get out of the development bottleneck.

4. 2 Typical Cases Analysis of China CBEC Platform

By applying the SWOT analysis above into the some big CBEC platform, a better understanding about the exact strengths, weaknesses, opportunities and threats of China CBEC platforms can be supplied. Here are two specific platforms which belong to different types are selected to do SWOT analysis.

4. 2. 1 Lightinthebox. com

As a self-run CBEC platform for export B2C business, Lightinthebox. com was established in 2007 and is now a typical cross-border B2C export platform in China. The website started with the sale of custom wedding dresses. After the acquisition of Coolpad in 2010, the website expanded its category. At present, as it shown on the website of lightinthebox.com ,there are 14 categories of products sold. Lightinthebox. com went public in the United States in June 2013 and raised about 80 million yuan. Lightinthebox. com's operating model is similar to China's domestic e-commerce brand Jingdong. The products on this platform mainly include two parts, one is Lightinthebox. com's own products, and the other is platform seller's products. Lightinthebox. com self-operated products refer to it as a cross-border retailer, selling products ordered from suppliers on the website platform, and responsible for product page display,

pricing, promotion activities, etc. Lightinthebox. com signs a supply and sales contract with the supplier, replenishes the goods in time according to the sales situation, and settles the purchase price on a regular basis. Suppliers need to ensure the quality of the goods and timely arrival to the designated warehouse in the country. The other part of the product comes from the platform sellers. These sellers rely on the Lightinthebox platform to build their own online stores, self-improvement, custom price, and homemade promotion strategies. In order to reduce the barriers to entry for platform sellers, Lightinthebox is responsible for the overseas operations and customer service of the platform sellers. When the merchants fulfill the order, they only need to ship to the Lanting warehouse and deliver the goods to the consumers for operation by the platform. Lightinthebox will collect the purchase price and deduct the 15% commission and 3% transaction fee to settle with the seller. As a result, Lightinthebox's profit is mainly two parts, one is the price difference of selling and purchasing, the other is commission income. Here is the SWOT analysis about Lightinthebox . com

- The strengths of Lightinthebox. com

- ① Excellent logistics management by advancing its supply chain management.

In the vertical management of the supply chain, direct purchases from suppliers to reduce supply chain links and increase profit levels. In the horizontal management of the supply chain, lightinthebox opens a supplier cooperation platform to expand the product category and improve the speed of product renewal. For standard products, the goods are stocked in the Lightinthebox warehouse in advance, and the customized products are trained in supplier production coordination to strengthen the production capacity of the products.

- ② Good online marketing.

By increased product promotion and brand awareness development through precise network marketing technology in terms of social marketing, event marketing, etc. Lightinthebox has a powerful online marketing strategy. With the help of search engines, portal headlines, mobile apps and other tools, Lightinthebox makes full use of search tools, social media, and local Network Alliance and other network marketing, continue to introduce traffic.

- ③ Positive operations localization

Lightinthebox actively explores local operations, establishes warehousing in Europe, North America, etc. , and sets up overseas offices to hire employees and establish customer service centers in the target market to cooperate with local brands to increase market awareness.

- The weakness of Lightinthebox. com

- ① United organizational structure

The loss in successive years forced it to change its management style and transform the original organizational structure into a business unit system, thereby reducing operating expenses and improving employee contribution efficiency is need.

- ② Lack of innovation of marketing and advanced customer service

Apart from the wedding dress, there was no strong selling point to impress foreign consumers in lightinthebox. The brand strategy was not strong and the marketing cost remained high. Besides, as what mentioned before, for future development of CBEC, low-price competition will turn to brand competition and service competition. Therefore for lightinthebox which focus on price war will lost it advantage if it refuse to change its strategy to service and brand. Beside, in China foreign trade, the majority of manufactures can be divided into OEM and ODM, therefore, although Lightinthebox has excellent supply chain, the weak ability of brand management also can make it hard to expend its business.

- ③ Lack of brand awareness

In its rapid development, according to the report (2016) of Lightinthebox ,it did not take advantage of its own to carry out in-depth and refined vertical classification of its products, so that its product positioning became increasingly blurred in the later stages of development. In addition, it has expanded its product range too quickly, and has not formed a brand positioning with other platforms. There is also a third-party platform from the original independent platform to the platform of the merchants. You will see that it has begun to be disrupted by third-party platforms style and begin to follow them blindly. It is important to know that in the CBEC platforms, consumers are likely to buy high-quality and high-branded products.

- The opportunities that Lightinthebox. com has

As the development of China CBEC and the government project One Belt and One Road goes on, more and more countries will involve into the development of China CBEC and this also will bring Lightinthebox. com more opportunities. Besides, with increasing awareness of products brand and the environment of online marketing is more and more better, this also will provide new chance for Lightinthebox. com to expand its brand and develop loyal customers.

- The threats that Lightinthebox. com faces

Increasing number of competitors make Lightinthebox hard survive. In recent years, with the rise of Alibaba International Station, Amazon, AliExpress, eBay, Wish and other CBEC platforms and even other independent stations, Lightinthebox has gradually lost its market advantage. According to relevant data, in 2017, Amazon accounted for 43% of online retail sales in the United States. 33% of market share growth in 2015 was significant. Nearly 52% of US consumers choose Amazon directly when they shop online. As a representative of the independent station, the lightinthebox, in addition to facing fierce competition with third-party platforms, must also cope with rising drainage costs and advertising costs. In addition, Lightinthebox has not yet carried out more in-depth brand promotion in oversea marketing, which make it hard to build high brand awareness for its oversea customers.

4. 2. 2 Alibaba.com

As the integrated service platform for B2B export CBEC, Alibaba.com as the typical case of transformation from platform model to integrated service provider and is not just confined to a trading information interaction platform. Alibaba.com wants to build its foreign trade ecosystem and provides one-stop services which is integrating trading, logistics and payments. Alibaba.com can establish a set of trade credit system through the big data accumulation and analysis to improve the whole foreign trade links, reduce risks and increase customer dependence and trust on it. Since 2010 Alibaba.com has made its subordinate onetouch, Alibaba.com has becoming a comprehensive service provider for small and medium-sized enterprises and attracts small exporters and enterprises who don't have import and export rights by freely providing basic services and grants foreign trade service subsidies to foreign trade enterprises. Here are detailed SWOT analysis about Alibaba.com

- The strengths of Alibaba.com

- ① Excellent strategy for the layout of its business operation

Alibaba.com has a comprehensive layout for its business in CBEC industry. First of all, overseas purchasing companies can sell their to Chinese consumers through the platform of Taobao Global. At the same time, overseas brands providers can also enter China market by opening their own store in Tmall International platform to achieve direct their cross-border transactions. One sourcing network under Alibaba.com also provides convenience one-stop service for its consumers. Meantime, Taobao Global Buy, Tmall International and one sourcing network are cross-complementary to a certain extent, and this can keep the cost of its oversea transaction low.

- ② Having its own distinguishing business characteristics

Alibaba.com combines the business features of Amazon, Paypel, and eBay which means each of its business can be independent and complementary and complements each other at the same time. Beside it is designed to match Chinese market which is full of Chinese characteristics. Compared with foreign third-party platforms, Alibaba.com CBEC platforms are more suitable for Chinese consumers' shopping habits, and this can be seen as its biggest advantage. In addition, Alibaba.com has set up Haitao and AliExpress to meet the cross-border sourcing needs of consumers and the demand for products to be sold internationally, to meet the shopping and consumption needs of different customers, so that each business can be launched by basing on the Chinese market.

- The weakness of Alibaba.com

- ① Problem of fake products and issues about intellectual property infringement

Take Alibaba.com's Taobao as an example. As long as there is a product that is popular in China because of some super star or internet influencer or online media, it will not take long for us to find the similar counterfeit products on Taobao, which are not only the same style, but also the brand's logo is very similar with the original ones. This undoubtedly infringes on the rights and

interests of consumers; Besides the imitation of foreign products, or the misappropriation of their brands also infringe the intellectual property rights of foreign companies.

② Security risk of payment

At present, the cross-border payment tools of Alibaba.com CBEC platform mainly are Alipay and Visa card. However, in the process of fund transfer, the third-party payment platform may be due to network virus or Trojan invasion and system leakage then lead to the risk of disclosure of payment information. In addition, with the rise of the mobile payment model, in the mobile payment environment where the phone scene is more open and the payment operation can be simpler, but the security risks of payment are more prominent. Besides, because the consumption habits of each country and region are very different from the local legal environment, the payment methods are also different. More than 80% of buyers worldwide use PayPal for cross-border online payments. Alipay has just occupied the domestic payment market and in the process of cross-border transactions, whether international Alipay can enter the international market and become a mainstream payment tool will undoubtedly be a big challenge for Alibaba.com. It takes time to verify whether foreign consumers in different countries can accept the payment methods of international Alipay.

③ Poor after-sale service

Taking alibaba. global. com as an example, even if this CBEC platform stipulates that they provide unconditional return service for 7 days, but this is no enough for its customers. Because many overseas buyers and purchasing merchants on this platform have their custom rules of indicating that they will not accept the return and their definition of the quality of goods is also not standard. Once the customers find products problems, the role of CBEC platform customer service is quite limited. In response to complaints about fake goods, the customer service requires the consumer to present a series of cumbersome identification certificates before they will be held accountable to the seller. These problems make it difficult for consumers to defend their rights, and they cannot get the after-sales guarantees in cross-border transactions.

- The opportunities that Alibaba.com has

In order to make China's CBEC trade develop better, in March 2015, the State Council agreed to establish Hangzhou as a CBEC comprehensive pilot zone. The establishment of the CBEC comprehensive experimental zone in Hangzhou marks a new stage for CBEC in China. By the end of December 2015, the scale of CBEC transactions in Hangzhou had quickly dropped from less than 20 million US dollars in 2014 to 3.464 billion US dollars, and the number of Hangzhou enterprises operating only on Alibaba.com has exceeded 3,500. Alibaba Group also has made in-depth cooperation with B2B export, B2C into Japan and B2C export with its geographical advantage and CBEC comprehensive test area, in order to attract Chinese billions of overseas consumption through CBEC import. Returning to expand the consumer market. The first batch of 55 innovative initiatives in the comprehensive experimental area undoubtedly provided great opportunities for the development of Alibaba.com own cross-border business.

- The threat that Alibaba.com faces

① Fierce competition from competitors

In 2014, Amazon's "Black Friday" quickly swept the Chinese market and declared war on Alibaba's, global; Besides, from the aspect of payment, PayPal is the world's most influential third-party payment company, with its up to 1.23 billion massive users and advanced payment technology in the cross-border payment field has a great brand advantage, especially in Europe and the United States, the penetration rate and popularity of PayPal is extremely high, in contrast, while the Alipay as Alibaba.com's international payment version has just stepped out of the country and it is still weak in service innovation, and its user experience needs to be strengthened as time. Therefore, how to deal with the fierce competition from these first-class CBEC companies and improve its competitiveness in the international are a big challenge for Alibaba.com.

② Low ability to promote CBEC brands

When any product enter a new market, it will take time to develop its consumers' brand awareness. Therefore, many overseas brands and a wide range of high-quality goods require CBEC platforms to explore themselves. However Alibaba.com still stays in the role of "product porter. " In general, although Alibaba.com has become a leading company in China's e-commerce, it has already established the hard conditions for developing CBEC in information technology, economic environment and consumer market, but when it comes to the management of products and online marketing, it still lacking in strength.

4. 3 Prospects for China CBEC

Even though there are still a lot of problems in China CBEC, it is facing opportunities and challenges in near future and there is a huge space for it development and potential. In the future, there will be mainly five trends of CBEC to develop as following.

- **The scale of China CBEC will be further expanded.**

The rapid growth of CBEC mainly depends on the substitution of traditional trade markets. The penetration rate of CBEC in China is gradually increasing, and there is huge room for future development. According to the latest data from China's customs, in 2017 China's total import and export trade reached 27. 79 trillion yuan, a year-on-year increase of 14%, the first double-digit growth in six years. According to the latest data from iResearch, China's e-commerce transaction volume reached 7. 6 trillion yuan in 2017, a year-on-year increase of 20. 6%. The growth rate is much higher than the traditional import and export trade, with a penetration rate of 27. 35%. According to previous data research by Ali, China CBEC transaction volume will reach 12 trillion yuan in 2020, with a compound annual growth rate of 16. 44% and a penetration rate of 37. 6%. There will be huge market space for CBEC development in the future.

The export CBEC will still be main part of China CBEC, but import CBEC will increase with a much fast speed. As China's manufacturing industry has advantages in terms of cost and scale, and is now promoted by the Belt and Road government projects, China CBEC will mainly be dominated by export CBEC in the near future. According to the statistics research of the General Administration of Customs and iResearch(2016), in 2016, the proportion of export CBEC to

that of import was 82% to 18%, of which export transactions reached 5.5 trillion yuan, a year-on-year increase of 22.3%. The penetration rate is close to 40%; the import transaction volume is 1.2 trillion, with a year-on-year growth rate of 33.3% and a penetration rate of 11%. According to iResearch report, China import and export CBEC will continue to maintain a relatively fast growth rate in 2020, with a compound export to import growth rate of 13.1% to 35.7%, respectively. With the rapid growth of import CBEC in 2020, its proportion is expected to reach 25%.

Although China export CBEC will still dominate the trend of the CBEC development in China in the future, China import CBEC will grow faster and its market will be broader in the near future. The source for import CBEC and destination for export CBEC are becoming more and more extensive, and the countries and regions with CBEC trade relations in China are spread all over the world. The countries that China import CBEC mainly refers to are the United States, Japan, South Korea, Australia and Hong Kong. While the countries that China export CBEC work with are more extensive, including the United States, Hong Kong, ASEAN, Japan, South Korea, India, Russia and Taiwan. The import and export markets corresponding to different CBEC platforms are slightly different. The import and export CBEC markets are mainly concentrated in Hong Kong, China, South Korea, Australia and the United States. For example, from the report of Alibaba (2018), Taobao globally purchases a wide range of sources, but mainly from the United States. Countries such as the United Kingdom and Japan; Amazon, as a relatively large CBEC company in the world, has a wider import and export market, and basically all goods in various regions of the world are sold. With the deepening of economic globalization and regional economic integration, the import and export market for CBEC will gradually cover the whole world.

- **Fragmentation of the order in CBEC will help China B2C export business model will enter its golden period of rapid development**

The outbreak of the global financial crisis directly led to the downturn of the national economy and the fragmentation of orders. There are three main reasons for the fragmentation trend of

orders: Firstly, With the further improvement of consumers' quality of life and living standards, they demand for products and services has gradually increased. CBEC needs to provide products and services for different customer groups to meet the requirements of those diversification, diversity and individualization ; Secondly, the demand for product inventory in the international market continues to increase. At a certain level, there is a negative relation between the amount of inventory and the liquidity of CBEC fund. In other words, the more inventory, the less liquidity of CBEC fund. The higher the storage cost is, the greater the financial risk faced by the company. Therefore, the scientific and feasibility of inventory management is of paramount importance; Thirdly, the problem of cash flow has become increasingly prominent. After the huge impact of the global financial crisis, the CBEC capital flow is generally facing a shortage, and through the fragmentation of orders, it can accelerate the flow of funds and effectively prevent and prevent the risk of funds. Based on those reason fragmentation of order is a unstoppable trend in global CBEC.

The fragmentation of order certainly bring China B2C business mode a new chance . Even though China CBEC is still dominated by B2B, but B2C is developing rapidly in resent years. According to the data of the China Electronic Commerce Research Institute, in 2016, the CBEC business model in China accounted for 88. 7% of B2B and B2C transactions accounted for 11. 3%. From the transaction structure point of view, because China's B2B e-commerce appeared earlier, the market is still dominated by B2B, but with the fragmentation of orders and the gradual establishment of CBEC brands in the overseas consumer market, the transaction structure is gradually moving from the enterprise to the enterprise. That means that B2C market transactions will account for a increasing part of China CBEC year by year.

- **Overseas warehouses will the main power to improve the efficiency of logistics and tax revenues negative effect will be removed gradually .**

Logistics is the most important part of the CBEC process. Choosing the right logistics method not only saves costs, but also greatly enhances the customer experience. At present, the logistics methods adopted by CBEC enterprises in China are mainly divided into four types: postal parcel

mode, international commercial express mode, special line logistics mode, and overseas warehouse mode. According to the incomplete statistics of the Sea Cat Cross-Border Editorial Board, 70% of the CBEC exports exported by China are delivered by the postal system, of which China Post accounts for about 50%.

As global buyers gradually improve the quality requirements of CBEC shopping experience, the overseas warehouse model has gradually become the main key factor to promote CBEC growth. At present, according to the research of Xiaolei Sun (2018), the mainstream logistics methods generally have faced problems such as slow distribution, slow customs clearance, easy packet loss, and difficulty in returning. In the form of overseas warehouses that are pre-stocked overseas, on one hand, its delivery time is shortened, which can increase customer satisfaction. On the other hand, it helps enterprises to achieve localization, provide perfect after-sales service for goods return and local maintenance, which can improve customers' shopping experience. In addition, by the self-built overseas warehousing system, efficient automated management can be achieved, which can greatly improve the sales efficiency and inventory turnover of CBEC. However, due to the establishment of an automated three-dimensional warehouse, the initial capital cost is relatively large. Generally, only large-scale cross-border leading enterprises with technological and scale advantages have self-construction capabilities, so the overseas warehouse capacity has gradually become the core competitive advantage of CBEC enterprises. This also has created a high barrier to the small and middle size companies in industry.

At the same time, Intensive China CBEC policies continue to be introduced to encourage traditional trade enterprises to transform into CBEC. With the sharp decline in China's export volume in recent years, the government policies have been more inclined to export, and the areas of customs clearance, exchange, and taxation have been facilitated by those policies. CBEC export enterprises are allowed to shipped goods first, then centralized declaration and get the tax rebate. At the same time, as the collection and transit hub for export goods, overseas warehouses is always the core topic of many policies. Starting from the "Several Opinions on Supporting Stable Growth of Foreign Trade" issued in 2014, the State Council has discussed

the construction of "overseas warehouses" in the subsequent CBEC policy documents. In 2015, the "Internet + Circulation" Action Plan pointed out that it will promote the construction of 100 e-commerce overseas warehouses. In 2016, Premier Li Keqiang's report on government work clearly emphasized "expanding CBEC pilots", supporting enterprises to build a number of overseas warehouses for export products, and promoting the development of comprehensive foreign trade service enterprises. Those policies highlight that warehouse will become the main way of China CBEC logistics, and the benefits that it bring to export enterprises will offset the negative impact of China taxation on export enterprises.

- **Social Media Marketing will be main chose for China CBEC enterprises.**

The initial development form of CBEC is to design, develop and use business websites, to promote product promotion and service through websites, and to publish contact information, product information, business overview and other information, just like business cards as an important way of customer contact. However, this more traditional propaganda and communication means lacks timely interaction with customers and cannot achieve substantial results. The advent of the network marketing era has changed the traditional website propaganda pattern. Through the implementation of online marketing, CBEC can communicate and interact with customers online, timely understand and master the basic needs of customers, and tailor-made personalized and practical products and services for different customers.

According to the reseach of Jiwen Hu(2018), the main role of social media marketing plays in China CBEC includes:

Firstly, through effective socialization, it is possible to establish various types of circles, so that CBEC and customers can conduct online real-time communication and communication. Besides the information corresponding products and service information released on social medias allows more customers to have an objective and accurate understanding of products and services. This clustering effect is far greater than the traditional advertising effect. Secondly, social media marketing can make the target of customers' purchase not more clear since the consumer's purchase behavior is randomly generated with social media, this random shopping

is more flexible, easy to streamline and standardize CBEC. Thirdly, social media marketing can meet the various personalized needs of different customers. Different from the traditional marketing model, social diversified online market can change the passive situation of consumers since social media marketing can present personalized and targeted features that can fundamentally cover consumers Potential needs by consumers can make certain products and services according to their actual need

Summary:

In this chapter, by using SWOT analysis, the strengths, weakness of China CBEC from the its internal aspects and the opportunities and threats aspects from its external side were studied. Here is a able to summary those above.

Table 21 The Summary for the SWOT Analysis of China CBEC

Internal aspect	External aspect
<p>Strengths:</p> <ul style="list-style-type: none"> ➤ Powerful Chinese manufacturing industry ➤ Huge“Chinese goods” demand from world market ➤ Rapid development of China's CBEC platforms ➤ Chinese government’s strong supports ➤ The increasingly influence of China economy 	<p>Opportunities</p> <ul style="list-style-type: none"> ➤ Increasing closer economic relationship with other countries ➤ The preferential world trade policy and supportive policy from China government ➤ The increasing demand of high quality products for Chinese customers ➤ New Opportunities from the Belt and Road Project
<p>Weaknesses</p> <ul style="list-style-type: none"> ➤ Imperfect management system ➤ The imperfect internal payment platforms ➤ The lagging development of logistics system ➤ The less competitive Chinese brands ➤ Fake or inferior quality commodity ➤ The lack of CBEC talents 	<p>Threats</p> <ul style="list-style-type: none"> ➤ Intense competition from overseas service companies ➤ Increasing trade protectionism policy from other countries. ➤ The deficient development of laws and regulations in China CBEC. ➤ The development of China CBEC insurance services lagging behind

	<ul style="list-style-type: none"> ➤ The polarization of the development of China CBEC industry
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Source: own

As it can be found, from the internal aspect of the development of China CBEC, the reasons why China CBEC can become the leader of world CBEC industry was because China CBEC was built on the advantage of China powerful manufacture industry and the huge demand of “Made in China”, those also can be owned to the fast development of China economic in terms of establishing more tight economic relationship with other countries and owned to the China government’s strong support for this emerging industry. However, there are still a lot problems can be found during the CBEC’s development, for example, the management system of it is still imperfect by lacking of mature skills and technologies. Besides, the third-party payment of China CBEC not only face the intense competition from others but also lack of credit auditing system. The development of logistics system of China CBEC lagging behind China CBEC’s development. Most importantly, by being famous of cheaper price in world, the majority of China enterprises lack of brand awareness and face cross-border disputes about intellectual property rights. There are also lack of talents who can get full charge of this emerging industry. However, from the external aspect of China CBEC, the development of China CBEC can not be stopped by above problems since there are much more opportunities it has than the threats it may face. For example, as the economic influence of China in the world increasing as time, its economic cooperation with more and more countries, especially developing countries, will bring China CBEC a bigger market . Besides, the new project of One belt one road led by China government will also change the construct of China CBEC and result in the change of China position in global value chain. Besides, as the increasing of Chinese living standards and requirement, the demand of high quality products of oversea products will accelerate the development of China import CBEC. While China CBEC also faces a lots threats, for example, there are increasing number of foreign CBEC enterprises and platforms join word market with an stronger ability of all aspect, which will post an threat to China CBEC and not alone to talk

about the local CBEC platforms and enterprises with their government's support to compete against China CBEC. Besides, the polarization of the development of China CBEC industry also increases more potential risks.

By applying the above SWOT analysis on China CBEC, we also give three case studies about two different types of China CBEC: Lightinthebox, Alibaba. Based on the analysis, the prospects and the trend of China CBEC as following are found: first, as the scale of China foreign economic increasing expanding through establishing closer relationship with other countries and starting government projects: One belt one road, the scale of China CBEC will be expanded as well. Also from the aspect of infrastructure, the logistics system of China export CBEC will be mainly depend on overseas warehouse and the logistics system of China import CBEC will mainly count on bonded warehouse model and the negative impact that old taxation policy put on China CBEC will be removed as well. Also the fragmentation characteristic of the order in CBEC will help China B2C exporter get more opportunity to enter its golden period of rapid development. Finally, since the CBEC platforms integrate payment, logistics service and order etc, information together, now CBEC have more energy and space to improve the overseas marketing strategy to develop their customers' awareness about their brands. This means in the future, brand competition will be the main competition of China CBEC.

5. CONCLUSION

China's CBEC has become the leader of this industry and it has entered its golden period. With the increasing attention and support of relevant Chinese government departments, China's CBEC development momentum is strong, and there will be a large number of cross-border trade transactions in the future. From this research it found that the rapid development of China CBEC was benefited from the well-developed China domestic e-commerce and China government's support. It also found that the development of China CBEC can promote the development of China foreign trade by changing its trade structures, expanding its overseas

market and cutting down some unnecessary procedures to low transaction cost. Besides, under the condition of CBEC, the way of trade information search and trade negotiation was completely changed because of CBEC platforms and this result in the change of business model in international trade. Most importantly, compared with traditional international trade, CBEC can bring more opportunities to SMEs since the fragmentation characteristics of CBEC's orders. By based on above characteristics of CBEC, together with the background of China foreign trade and the development of current global e-commerce, this paper investigates the development of China cross-border e-commerce from the perspective of its business models, platform types, goods categories, payment platforms, custom clearance and logistics system, taxation. From the detailed description of above aspects, it found that although China CBEC developed with a very fast speed, there are a lot problem exist in every process of it. For example, the tradable goods in China export CBEC still limited and lack of high quality and well-know brands, while in China import CBEC, the demand of it is increasing, but the taxation policy of it still lagging behind. Even though in CBEC, the general principle of China foreign trade "import trade service export trade" was changed, the demand of import CBEC can not be meet since the taxation policy. Besides, the third-party payment platforms in China CBEC face a lots of issues like credit auditing system for its users. Apart from payment, the logistics system of China CBEC also face a lots problems . At present, logistics cost still the biggest part of whole cost. By based on the research of this paper, a detailed SWOT analysis was down and the specific strengths, weaknesses, opportunities, threats were studied and relative example was provided as well. Here in order to promote the continuous improvement of China's CBEC industry chain in the future, and provide a reference for the studies about other countries' CBEC, here are some suggestions given:

① China custom supervision mode should be innovated to improve customs clearance efficiency

The rapid development of CBEC has placed higher demands on the existing customs supervision system. At the same time, due to the characteristics of cross-border trade fragmentation is gradual obvious, CBEC enterprises that do custom declaration by express mail

or mail have the problems of low customs clearance efficiency and difficulty in settlement of tax rebates. The relevant state departments should actively take measures to solve such problems and ensure the smooth progress of the import and export of CBEC. First of all, the customs supervision model should be innovated, especially the innovation of policy business. For export CBEC, through the business model of “release goods according to the general custom clearance list”. Secondly, the efficiency of custom clearance should be improved by integrating China e-custom platforms with other CBEC platforms.

② Government should pay attention to develop talents for CBEC

As what it found in this research, there are lack of CBEC talents since CBEC still is emerging tool for traditional international trader and there is no specific education neither in universities nor vocational schools. Therefore it is very important that China government pay attention to this problems and provide relative supports. For example, China government should increase investment in this kind of education and assist universities to improve the construction of CBEC disciplines, by setting standardized and reasonable teaching plans, curriculum systems and training programs; Besides the preparation of teaching material in universities should keep pace with the times, and the knowledge of textbooks should be in line with the times; The theoretical and practical knowledge should be interacted well. What the more important is that universities must develop a model of school-enterprise training for students and strengthen the exchange of teaching skill with outstanding personnel of the company, combine theory with practice, and promote scientific research on related issues such as technology, management, marketing, and market in CBEC. Only by this way, the talents for CBEC can be developed with a comprehensive understanding about CBEC and be capable to develop this industry.

③ The quality supervision of CBEC products and the protection of intellectual property rights should be strengthened

In terms of the protection of intellectual property right, China government and China CBEC platforms should start from both SMEs and large enterprises.

First of all, they should strength the supervision of small and medium-sized enterprises by increasing strictly verify the qualifications of their goods and checking the authority of bands

before those company start to sell their products on CBEC platforms. Besides, the penalties should be increased for violations of intellectual property rights and the information security technology and the security of information transportation should be strengthened as well. Secondly, for large enterprises, although they have fixed sales channels and customers, they also face strategic adjustments in the CBEC environment, so they need to expand the CBEC market. By cooperating with major foreign brand companies, they can help their products form brand advantages, which will drive the establishment of domestic brands and improve the quality and level of the platform.

④ The credit evaluation system of China CBEC platforms should be improved.

The credit evaluation mechanism system on China's CBEC platform have exposed the information asymmetry problem in China CBEC. Because buyers can see all the evaluations information about product performance and quality on platforms, while for sellers, there are lack of information about buyers' credit history, what's more buyers can register fake accounts for cheating. This credit evaluation mechanism is unfair and hinders fair transactions between buyers and sellers. In addition, there are cases where sellers use fake credit information to deceive consumers. In order to promote fair trade on China CBEC platforms, it is necessary to strengthen credit supervision and establish a sound credit evaluation system from the following two aspects. On the one hand, it is necessary to strictly review the registration information of both buyers and sellers and confirm the authenticity of the buyer and seller's identity information, including the buyer's real name, credit status, the seller's company name, registered address, trademark registration, etc. As the development of CBEC platforms become more mature, the more detailed the credit information of both parties can be provided, the more safety of the transaction will be. On the other hand, there should be a member credit file which means buyers and sellers who have already performed real-name certification have a real name evaluation for each transaction. By integrating the buyer's personal real-name authentication information and the commented information can be used to build a buyer's credit file, so that the seller can see his credit information before the buyer places an order, this will help the seller

to avoid the risk of fraud. In addition, seller credits can be created in the same way to help buyers avoid buying poor quality products.

⑤ The payment security and cross-border payment mode should be improved

After establishing an efficient and transparent CBEC channel, how to strengthen payment security and establish a mature and complete payment system is an important part of CBEC development. It is necessary to strengthen the network technology level to improve the security of online payment. For example, by improving the technology, the risk of virus infringement and phishing is reduced, and the possibility of hacking is reduced. At the same time, by strengthening the cooperation between browser service providers and cross-border payment providers to ensure the security of website browsing and order payment, for example, the data is transmitted through the bank encryption channel can maximize the protection of consumer rights. For cross-border payment credit risks, CBEC platforms should improve cross-border payment models. There are three main modes of cross-border payment: third-party payment platform, online banking payment, and cross-border RMB settlement. Since the implementation of the “Measures for the Administration of Cross-border Trade RMB Settlement Pilot”, the payment channels for CBEC have become more smooth. The CBEC platform should integrate payment models to provide customers with a safe and effective shopping payment experience. The joint third-party payment platform implements the user real-name system to prevent the use of false information for registration and reduce credit risk from the perspective of users. In addition, it is necessary to actively promote the cooperation between third-party payment institutions and banks to carry out CBEC RMB settlement business in order to strengthen supervision of virtual users, and promote supervision of net name payment to promote the rapid expansion of the overseas business of the third-party payment institution. At the same time, enterprises that engage in CBEC can quickly withdraw funds, avoid exchange rate risks, and promote the healthy and rapid development of CBEC.

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