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# Cross-Border E-Commerce in China: An Institutional Explanation

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## Preface

Recent years have witnessed robust growth of cross-border e-commerce in China. According to the *China E-Commerce Report* published by the Ministry of Commerce, the cross-border e-commerce growth rate has accelerated since Alibaba's initial public offering in the United States of America at the end of 2014, to an annual growth rate of 30%.

In 2015, the State Council and relevant ministries and commissions launched various policies encouraging cross-border e-commerce, reforming and innovating means of foreign trade supervision, approving cross-border e-commerce pilot-test cities, introducing a new customs supervision code and giving green light to Hangzhou as the Comprehensive Pilot-Test City for cross-border e-commerce. By innovating government supervision and business models, and by making corporate transformations, a new framework for China's foreign trade is evolving.

As cross-border e-commerce appears to have different meanings to private consumers, businesses and the academic community, the concept shall be clarified first: "Cross-Border E-Commerce" represents the intention to introduce innovative developments of e-commerce to the arena of foreign trade. Nevertheless, the concept is often used in a narrower sense, as cross-border online sales mostly target individual consumers purchasing and paying online. Because such transactions take place online, they do not belong to international trade in a traditional sense. Broadly speaking, cross-border e-commerce represents the application of the internet and information technologies to foreign trade at various levels as well as consequential market changes. This includes changes regarding main market players and innovations of means, ways of business operation, business models, and even global business rules and legal environment.

The internet has spread globally for nearly two decades, leading to a far-reaching transformation of the world market. The way people do business and interact with their environment has changed profoundly. Analogous to the evolution of species, business models become extinct if they fail to adapt to new market environments. Simultaneously, changing market environments spark the rise of new business models. To provide theoretical explanations of such developments, researchers must analyse and identify patterns of change.

Government supervision over trade has always been an important aspect in international trade. For enterprises, compliance is often a necessary consideration. However, most of the foreign-trade supervision regulations were made more than one decade ago. Hence, given the rapid expansion of the internet and global cross-border e-commerce, many of these regulations require review and revision. Moreover, the definition of the legal status or establishment of a supervision system for several of the new business models, such as enterprises providing so called Comprehensive Foreign Trade Services, has not yet succeeded. For China, the change of market environments involves opening and reform; improper handling would lead to chains of problems. For instance, the April 8 New Supervision Policies released in 2016 immediately aroused considerable instability in the cross-border e-commerce industry.

This reader attempts to provide an overview on the legal environment, statutory supervision and relevant policies regarding cross-border e-commerce in China from an institutional perspective. In addition, it examines relevant operating models, supervision means and policy developments by analysing business models and procedure innovations. Further this reader points out opportunities and challenges,

and helps to understand trends in global cross-border e-commerce from the Chinese perspective. In particular, it predicts future regulatory trends for cross-border e-commerce.

For the first time, the statutory environment and service model of cross-border e-commerce in China are discussed from an institutional perspective for international experts and the interested public. We would highly appreciate if you would inform us of any mistake or improper analysis.

Prof. Jian Wang

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# **1 Regulating & Self-Governing Bodies for Cross-Border E-Commerce in China: Legislative, Administrative and Social Organizations**

In this chapter, we will introduce legislative and administrative bodies, self-governing organs and associations related to e-commerce in China. Because different regulating bodies play different roles in the e-commerce market, we classify these stakeholders into four categories: supreme legislature, supreme administration, provincial legislative and administrative bodies and non-profit self-governing organizations.

## **1.1 Supreme Legislature – National People’s Congress**

The National People’s Congress (NPC) of the People’s Republic of China is the supreme legislature in the country, with the NPC Standing Committee as its permanent body. The legislation procedure is structured as follows: after the competent administration makes a legislation proposal in the NPC, a legislation drafting team will be established. The NPC Law Committee helps reviewing the draft law and offers opinions on it while also collecting opinions from the public. After the ensuing modifications, the draft law is submitted to the NPC Standing Committee, which will discuss and vote whether to pass or not pass the law.

Recent years have witnessed rapid development and expansion of the e-commerce market in China. It has been thoroughly integrated with the conventional economy and has become a driver for economic growth and major facilitator of structural adjustments. To ensure a continuous, healthy and orderly development of e-commerce, on December 7, 2013, the NPC Standing Committee incorporated the *Law of E-Commerce* into the legislation plan. Thereby, it designated the NPC Financial and Economic Affairs Committee to spearhead the establishment of the drafting team for the *Law of E-Commerce*, which then launched the legislation process for e-commerce.

By December 2016, *the Law of E-Commerce* had been drafted, and public consultation started.

*The Law of E-Commerce* is to become the supreme legislation in China boosting development and regulating rights and interests of e-commerce. The legislation is of vital significance for accelerating the shift of the economic growth pattern, realizing economic restructuring, as well as transformation, upgrading, and speeding up the development of “Innovative China”.



## **1.2 Supreme Administration – the State Council and Affiliates**

The State Council is the supreme authority or administration in China, administering many ministries and commissions with different duties. E-commerce and cross-border e-commerce is supervised by a few ministries and commissions, including the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Industry and Information Industry, the Ministry of Finance, the State Administration for Industry & Commerce, the General Administration of Customs, the General Administration of Quality Supervision, Inspection and Quarantine and the State Administration of Foreign Exchange of the P.R.C. Amongst those, the Ministry of Commerce is the principal, supervising and coordinating body.

### **1.2.1 The Ministry of Commerce**

As the State Council-administered department supervising commercial economy and trade in the People's Republic of China, the Ministry of Commerce is responsible for the macro-supervision over the e-commerce market, safeguarding market order.

Internally, the Ministry of Commerce is responsible for making policies and development plans for e-commerce. For instance, in 2016, the Ministry of Commerce drafted the *Development Plan for E-Commerce in the 13<sup>th</sup> Five-Year Plan Period*, which is designed to steer the development of e-commerce. Externally, the Ministry of Commerce is responsible for organizing and participating in negotiations, discussions and exchange with other countries about law, rules and standards of international e-commerce so as to facilitate international cooperation on e-commerce.

The Ministry of Commerce of the P.R.C. has several internal departments in charge of the above-mentioned duties: the Department of E-Commerce and IT, the Department of Foreign Trade, and the Department of Treaties and Laws, etc. All these departments play important roles in their respective field of work.

The Department of E-commerce and IT is mainly responsible for making policies and keeping statistics regarding e-commerce, promoting e-commerce development and international cooperation and exchanges. The Department of Foreign Trade is mainly responsible for making import & export policies, and trade-promotion policies; it is also responsible for foreign trade comprehensive services. The Department of Treaties and Laws is mainly responsible for making laws and regulations concerning international economy and trade, getting involved in negotiations of multilateral and bilateral treaties and participating in international cooperation and exchanges regarding laws and regulations, etc.

### **1.2.2 Ministry of Finance**

Cross-border e-commerce has developed for more than ten years in China, becoming an integral part of foreign-trade economy. The Ministry of Finance of the P.R.C. releases taxation policies to supervise import and export in cross-border e-commerce.

As the cross-border e-commerce retail market keeps expanding, the Ministry of Finance and the State Administration of Taxation have issued the *Taxation Policy for Cross-Border E-Commerce Retail Export* and the *Taxation Policy for Cross-Border E-Commerce Retail Import*. In the *Taxation Policy for Import*,

China revised the policies regarding personal postal articles tax on April 8, 2016 (called the April 8 New Supervision Policies), which aroused great agitation in cross-border e-commerce field (see below, 6.2). In the following chapters, we will continue to discuss the influence of April 8 New Supervision Policies on cross-border e-commerce.

### **1.2.3 National Development and Reform Commission**

In the early-stage of e-commerce's development, the government deemed it a new industry. At that time, the National Development and Reform Commission (NDRC) was still a coordinating organ, responsible for coordinating the development of e-commerce. The NDRC was the first body to spearhead the compilation of the *E-Commerce Development Plan in the 11<sup>th</sup> Five-Year Plan Period* in 2007 and established strategies and missions of developing e-commerce from the perspective of national policies. The *E-Commerce Development Plan in the 11<sup>th</sup> Five-Year Plan Period* was the first development plan in China for e-commerce on national-level.

The NDRC, as a functional body administered by the State Council, was generally responsible for studying and drafting economic and social development policies, securing balance and guiding economically driven institutional reforms. Thus, in the recent phase of e-commerce development, the NDRC still plays a certain role in the coordination of drafts of future development and plans for some provinces and in coordinating the work of the State Council-administered ministries and commissions regarding e-commerce. However, lately the NDRC was not responsible for the management of any major e-commerce issues. Therefore, the Ministry of Industry and Information Technology and Ministry of Commerce took over spearheading the drafting of e-commerce plans in the 12<sup>th</sup> and 13<sup>th</sup> Five-Year Plan periods.

Currently, the NDRC is mainly responsible for making plans for special economic institutional reforms, coordinating to push these plans forward and guiding work in pilot tests and test areas of economic institutional reform (see also below, 5.1.1 f.). It also drives the solving process of major issues arising out of economic institutional reforms. For instance, together with the General Administration of Customs, the NDRC has publicized the program of cross-border e-commerce pilot-test cities.

### **1.2.4 Ministry of Industry and Information Technology**

As e-commerce kept expanding, the government started to promote its development as internet technology. As a result, the Ministry of Industry and Information Technology spearheaded the compilation of the *Development Plan for E-Commerce in the 12<sup>th</sup> Five-Year Plan Period*.

The Ministry of Industry and Information Technology established the Department of IT Promotion to push industrialization and IT development forward as well as making this department responsible for promoting and applying information technologies. Simultaneously, the ministry established the Department of Information Security Coordination. It is responsible for coordinating creation of a national information security system and guides & supervises the security of important information systems and critical information networks in government departments and major sectors.

After 2010, the development of e-commerce sparked many business model innovations and market patterns changed. Besides positive effects, those developments brought about a large number of problems. To ensure the virtual market could be managed along the same lines as the conventional

market, the Ministry of Commerce took over responsibility for the e-commerce market. From then on it spearheaded the compilation of the *Development Plan for E-Commerce in the 13<sup>th</sup> Five-Year Plan Period* since 2016.

### **1.2.5 State Administration for Industry & Commerce**

In the previous section, we mentioned that the Ministry of Commerce of the P.R.C. is responsible for supervising and planning the macro-environment for e-commerce. The specific management of and supervision over the micro-environment for e-commerce, however, is the responsibility of the State Administration for Industry & Commerce.

The State Administration for Industry & Commerce of the P.R.C. is the State Council-administered body supervising and managing markets and is in charge of administrative enforcement. Its internal department related to e-commerce is the Department of Regulated Market Management (Department of Online Goods Transactions). Its principal duties include: supervise and manage online goods transactions and related services; crack down on illegal conduct such as sales of counterfeit goods or infringement of intellectual property rights. In addition, it supervises online transaction platforms.

To ensure a healthy and orderly development of the e-commerce market, the State Administration for Industry & Commerce has taken various measures to enhance effective supervision over the online market:

- Facilitate the extension and application of industry & commerce laws and regulations to the online market while improving the online market regulatory system;
- Make full use of information and technical means to build a system for the supervision of third-party online transaction platforms and improve the effectiveness of such supervision and enforcement;
- Encourage the establishment of a fair and trustworthy rating evaluation system for online transactions; and
- Push forward an online & offline supervision coordination mechanism.

### **1.2.6 General Administration of Customs**

The General Administration of Customs of the P.R.C. is responsible for supervising the import & export of goods and articles in cross-border e-commerce. Thus, it is responsible for registering and handling customs clearances for enterprises engaging in cross-border e-commerce.

In recent years, the General Administration of Customs has been working to facilitate trade by providing simplified customs clearances for import & export, including the “one-stop-shop” or “single-window” clearance for cross-border e-commerce enterprises, and encouraging foreign-trade comprehensive services. To meet the needs of enterprises, the General Administration of Customs seeks to improve its service platforms and is working on lists of corresponding policy innovations.

Since 2014, the General Administration of Customs has added new means of supervising entry & exit goods in cross-border e-commerce. For instance, it launched the “9610” customs supervision code for cross-border e-commerce retail export and the code “1210” on “bonded cross-border e-commerce” for

e-commerce retail import. The supervision is applicable for domestic individuals or enterprises to realize cross-border e-commerce retail transactions on e-commerce platforms recognized by the General Administration of Customs and to retail entry & exit goods in zones specially-supervised by customs or bonded supervised venues. Thereby, the General Administration of Customs has simplified the clearance procedure and regulated customs supervision.

### **1.2.7 General Administration of Quality Supervision, Inspection and Quarantine**

To safeguard the interests of online consumers, the government needs to supervise the quality and safety of cross-border e-commerce goods entering or leaving China. Therefore, the General Administration of Quality Supervision, Inspection and Quarantine of the P.R.C. (AQSIQ) is responsible for supervision measures and carrying out inspections and the quarantine of goods / articles.

AQSIQ is the State Council-administered body enforcing the relevant laws. By establishing a public-service platform for e-commerce product quality, AQSIQ promotes appropriate policies, laws and regulations. At the same time, it provides service to other government departments to conduct supervision over e-commerce product quality, to e-commerce enterprises to enhance product quality management, and to consumers to help them recognize and distinguish e-commerce product qualities.

Further, AQSIQ is responsible for issuing lists of imported goods in cross-border e-commerce retail. It has established a consumer goods quality & safety risk monitoring mechanism for cross-border e-commerce. In its Hangzhou office it established an information exchange mechanism among the inspection & quarantine organs, which is spearheaded by the National Risk Monitoring Center for Quality & Safety of Import and Export Goods, and built the nationwide risk monitoring network.

### **1.2.8 State Administration of Foreign Exchange**

The State Administration of Foreign Exchange of the P.R.C. is the functional body in China supervising foreign exchange. It mainly provides online foreign exchange payment services while simultaneously controlling import & export of foreign exchange. In 2015, the State Administration of Foreign Exchange issued the *Notification about Making Pilot-Test Cross-border Foreign Exchange Payment Service in Payment Organs*, to carry out a foreign exchange payment service pilot-test with some payment organs in China. This pilot-test allows these payment organs to provide foreign exchange receipt, payment and settlement service for cross-border e-commerce sellers and buyers.

Furthermore, the State Administration of Foreign Exchange of the P.R.C. is responsible for issuing licenses to cross-border e-commerce payment enterprises. Since the above-mentioned pilot-test has started, it has issued pilot-test licenses to 17 third-party payment companies including AliPay, YeePay, UnionPay Online Payment, and QBao.

## **1.3 Provincial Legislature and Administrations**

### **1.3.1 Provincial Legislature**

Notwithstanding that the National People's Congress has the supreme power of legislation, all provinces

have a legislation right in their jurisdiction exercised by provincial people's congresses. In particular, in provinces facing rapid e-commerce expansion such as Guangdong and Zhejiang, the local people's congresses have passed e-commerce laws.

### **1.3.2 Provincial Administrations**

The provincial administration, or provincial government, often administers own departments corresponding to those administered by the State Council. For instance, the local government administers a bureau of commerce corresponding to and receiving guidance from the Ministry of Commerce. However, other government bodies, such as AQSIQ, often have their direct provincial offices featuring vertical supervision.

Because e-commerce involves many government departments, most provincial governments designated their bureaus of commerce to coordinate the relevant work. Some provincial governments, however, designated the local NDRC to do the coordination.

## **1.4 Social Organizations: Trade Associations and Non-Profit Institutions**

So far, we have focused on the major duties of government bodies in e-commerce. Besides, the ministries and commissions mentioned above also administer various non-governmental e-commerce trade associations and non-profit institutions to push forward the development of e-commerce and promote communication and cooperation between governmental institutions and enterprises.

The trade associations include: China E-commerce Association, China Association of Trade in Services, China Consumers' Association and provincial associations; the non-profit institutions include: China International E-Commerce Center and National Technical Committee for E-Commerce Quality Management Standardization.

### **1.4.1 China E-Commerce Association**

The China E-Commerce Association was established on June 21, 2000 and administered by the Ministry of Industry and Information Technology of the P.R.C. Now supervised by the Ministry of Civil Affairs, it is the first nationwide association for e-commerce in China.

Its main duties are:

- Help government departments in advancing the development of e-commerce;
- Provide enterprises with legal guidance on e-commerce; and
- Conduct international cooperation and exchange programs on e-commerce.

The Association has established the Digital Service Center, an agency specializing in providing credit evaluation for the e-commerce industry in China. As the supervising body evaluating and certifying the credibility of the e-commerce platforms in China, it is responsible for conducting the *Accreditation Service Program for 1 Million Enterprises' Honesty* under the guidance of the relevant ministries and commissions.

## **1.4.2 China Association of Trade in Services**

The China Association of Trade in Services was founded on November 27, 2007. It is the nationwide non-profit society with independent legal status approved by the State Council, administered by the Ministry of Commerce and registered with the Ministry of Civil Affairs.

The China Association of Trade in Services mainly engages in self-governed service-trade businesses. Because e-commerce is deemed an important form of service trade, the China Association of Trade Services has established the China Committee of E-Commerce, responsible for executing the e-commerce tasks assigned by the Ministry of Commerce.

Because China did not have a nationwide association to represent the voice of the e-commerce industry in e-commerce, the China Association of Trade in Services established the “*China Cross-Border E-Commerce 50 Forum*” in August 2016, which brings together experts of the industry. As a high level forum attracting major cross-border e-commerce enterprises and platforms, it is designed to pool expert ideas, promote cooperation among major players, push forward inclusive world trade and facilitate supervision innovations.

## **1.4.3 China Consumers’ Association**

The China Consumers’ Association was established in December 1984 to safeguard the rights and interests of consumers, conduct non-government supervision over goods and services in a legitimate way, and promote the healthy development of the socialist market economy.

To safeguard the rights and interests of online consumers, the China Consumers’ Association, in 2015, launched the *Green Channel (Direct Channel) Platform for E-Commerce Consumers’ Rights and Interests Safeguarding*. A total number of 17 e-commerce enterprises (platforms), such as JD Mall, Taobao and VIP have made a commitment to join. Once these enterprises will have joined, disputes between consumers and the above e-commerce enterprises (platforms) shall be handled within this supra-local framework. The target is to reduce the cost for consumers when seeking to safeguard their rights and interests and to improve the effectiveness of the China Consumers’ Association.

## **1.4.4 Provincial Associations**

As already mentioned, provincial governments in China have corresponding departments to those ministries and commissions directly administered by the State Council. The provincial governments often have their own bureaus of commerce and departments in charge of e-commerce, responsible for making e-commerce plans and drafting e-commerce legislation plans for local governments.

## **1.4.5 China International E-Commerce Center**

China International E-Commerce Center (CIECC), directly subordinated to the Ministry of Commerce, was established in 1996. It is China’s first organ specializing in the study, consultancy and infrastructure building of e-commerce, and the principal organ conducting international exchanges and cooperation on the field e-commerce.

In the 1990s, the CIECC led the way to build, operate and maintain ec.com.cn, the core website in the “Golden Gateway Program” and a major program for the IT development of China.

Moreover, the CIECC undertakes international cooperation regarding e-commerce and exchanges on the individual national perspectives. It hosts the China Development Center of the United States’ Trade Network and the APEC E-Commerce Business Alliance and is a principal member in the PAN Asia E-Commerce Alliance.

CIECC Co., Ltd., controlled by CIECC, is the international e-commerce and trade service platform featuring authority, stability and security throughout the whole process. As the e-commerce service organ on the national-level, it is responsible for strategic planning, capital operation, investment management and resource integration. With world-class technical equipment and environment and a professional team, it is specialized in e-governance and e-commerce and serves Chinese and overseas markets. It has become involved in IT development in commerce, is a comprehensive e-commerce service provider, a leader in international e-commerce exchanges and comprehensive service provider of media, conferences and exhibitions.

#### **1.4.6 National Technical Committee for E-Commerce Quality Management Standardization**

The National Technical Committee for E-Commerce Quality Management Standardisation was established in 2016 by the AQSIQ Hangzhou Office. Its overall aim is to drive a healthy, regulated and stable development of e-commerce and its market. Therefore, the Committee sets e-commerce standards, conducts quality standardisation to ensure online product quality and is building a credibility system for the online market. Moreover, it has implemented the “*Standardization +*” strategic campaign, drives various initiatives and realizes synergies in the development of international e-commerce. More specifically, it mainly works on creating national standards for e-commerce quality management, quality credibility, quality supervision and quality risk control. Furthermore, it seeks to improve the system of standards, seeks to advance a comprehensive standardisation reform and is involved in international standardisation activities.

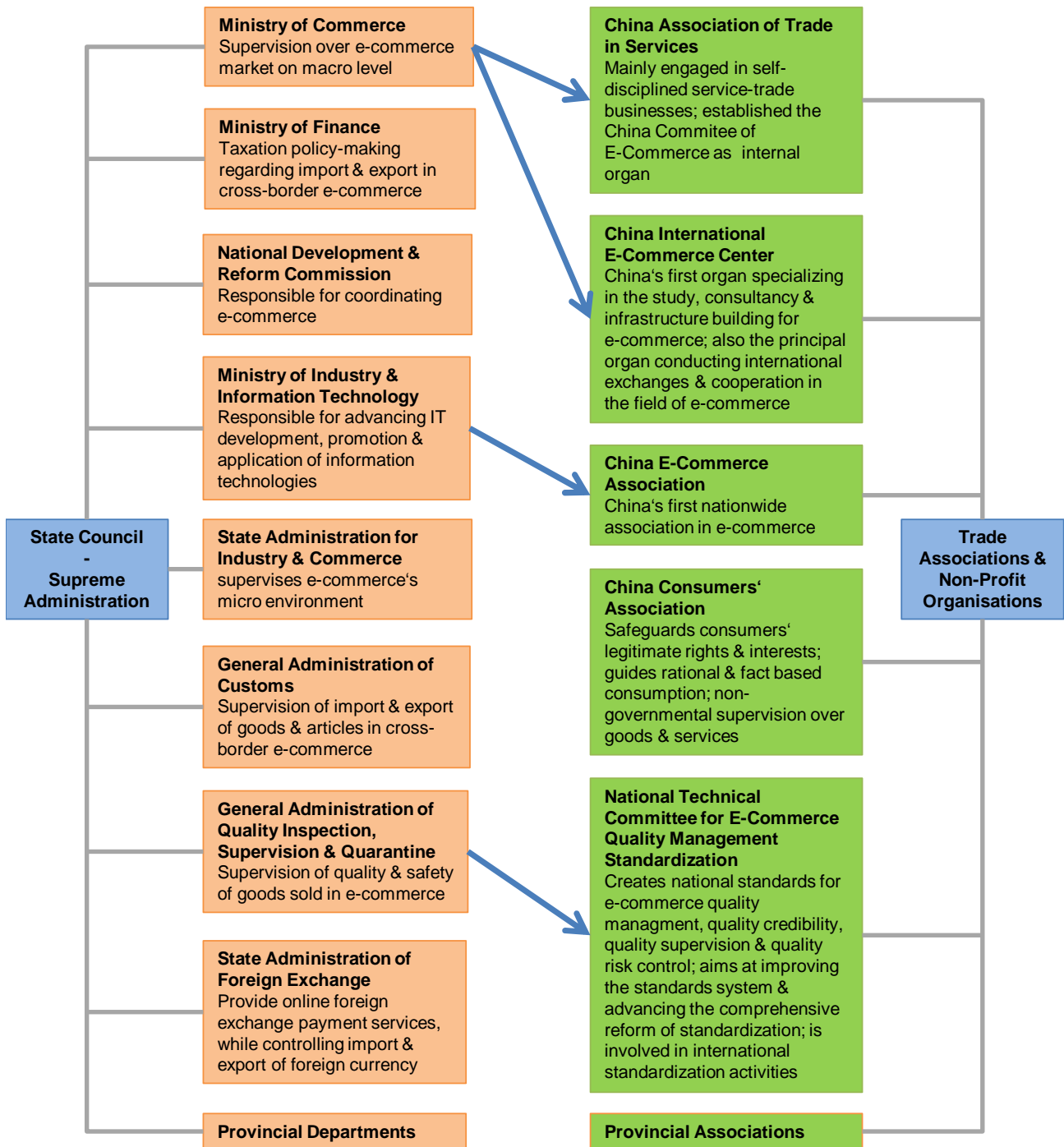


Figure 1-1: China's regulative and self-governed bodies in cross-border e-commerce



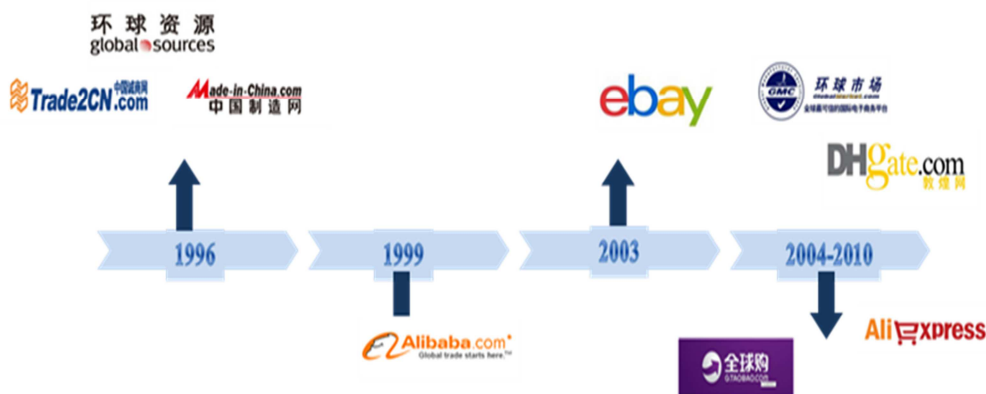
## 2 Eco-System of China's Cross-Border E-Commerce Market

When observing market players, we come across many new business models in the Chinese online market. With the help of these new business models Chinese cross-border e-commerce has become a stimulating eco-system for further economic development. We classify the major market players in this eco-system into cross-border e-commerce third-party platforms, fundamental service providers and value-added service providers. The following sections provide the interested reader with a detailed introduction of players and corresponding examples.

### 2.1 Third-Party Platforms of Cross-Border E-Commerce

#### 2.1.1 Information Exchange Platforms in Cross-Border E-Commerce's Early Stages

As already highlighted in the previous chapter, by introducing brand-new means of information exchange and sharing, the global conquest of the internet has led to profound changes of traditional trade channels. In 1999, Jack Ma established Alibaba.com, an intermediary service sharing transaction information and opportunities. Now the world's largest online business-to-business (B2B) trading platform, it provides China's small and medium enterprises (SMEs) with communication channels to overseas enterprises. Hence, SMEs receive overseas transaction information and opportunities to sell their products in overseas markets. In other words, Alibaba establishes the bridge between China's SMEs and overseas buyers: deals are made online and transactions completed offline. With others to follow, Alibaba.com was the eminent information exchange platform in cross-border e-commerce's early stages and may serve as an exemplary example for this business model.



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Figure2-1: Information exchange and transaction platforms in China's cross-border e-commerce eco-system

Around the time Alibaba was established, other similar Chinese information platforms such as made-in-china.com, globalsources.com, globalmarket.com and china.trade2cn.com went live. Together, these platforms have played a crucial role in cross-border e-commerce in China, in particular for international B2B trade.

## **2.1.2 Online Transaction Platforms of Cross-Border E-Commerce**

In the early stages of cross-border e-commerce, transactions were initiated online but finalized offline. Because of the credit risks, payments and delivery of goods were often made through banks. Hence, there were only traditional settlements such as buyers making advance payments, collection through the bank, letters of credit, etc.

By the end of the 1990s, eBay was online and had established itself as a serious player. From this point on, buyers and sellers were not only able to communicate and reach deals online on eBay's platform, but ultimately had the possibility to conclude the transaction online by making payments via PayPal. However, eBay does not participate in real transactions between the two parties. After the buyer confirms the receipt of goods and expresses satisfaction, eBay will release the buyer's payment to the seller. Moreover, eBay has also established a review and rating mechanism of buyers and sellers. The sellers' ratings prove to be an important reference for buyers. This innovative rating system is worth adopting by China's cross-border e-commerce businesses.

The online transaction third-party platforms operating in China's cross-border e-commerce are closely related to the business model invented by eBay. DHGate.com, which went online in 2004, extended the online transactions and delivery service to cross-border e-commerce market. In 2010, mai.aliexpress.com went online. Third-party platforms for online transactions – like eBay, DHGate.com and mai.aliexpress.com – have established a “rapid channel” for China's SMEs to reach overseas markets.

Needless to say, other and independent self-operating platforms for online transactions jumped on the bandwagon in the 2000s and became quite active in the cross-border e-commerce market. For instance, lightinthebox.com became primarily active in the export market, jumei.com in the import market and other platforms even received financing from overseas by getting listed in US stock market.

The rise of platforms for online transactions illustrates that the cross-border e-commerce market has evolved to a new level. In particular, online payments and online initiation of deliveries have helped to realize online international trade. Note, however, that most online transactions still focus on relatively low priced consumer goods and most market players are individual consumers. Nevertheless, online international trade is still a possible way forward for future market development.

At present, Alibaba, xbniao.com and other platforms are trying B2B cross-border e-commerce transaction platforms out. Alibaba is building a worldwide e-trade platform (eWTP) and xbniao.com is trying to build a cross-border e-commerce overseas purchase platform.

## **2.1.3 Post-Transaction Comprehensive Foreign Trade Services Platforms**

Comprehensive Foreign Trade Services Platforms aim at integrating all those services on a single platform that are necessary for import & export business, such as customs clearance, tax rebate, logistics, payment collection, payment, insurance, financing and other foreign trade procedural services. Like other platforms Comprehensive Foreign Trade Services Platforms only provide service and do not participate in transactions between buyers and sellers.

In today's Chinese cross-border e-commerce market, the best-known comprehensive service platform is onetouch.alibaba.com, which was the first to use an online IT platform to standardize foreign-trade

service processes. It integrates service process and data information while at the same time cooperating with government supervisors and commercial organs to provide SMEs with a post-transaction foreign trade outsourcing service. This includes import & export financing services, international logistics services, foreign exchange receipt and tax rebate services, etc.

The post-transaction comprehensive foreign trade service platforms exist because import & export require cooperation with government supervision. To meet the latter's compliance needs, importers and exporters often have to deal with different governmental organs. In the past, complex service processes and expenses brought great burdens and inconvenience to SMEs. Comprehensive foreign trade service enterprises answered the market's call for support. By connecting logistics companies, insurance companies, banks and trade supervising organs, the platforms provide services to SMEs striving to engage in international trade. Comprehensive foreign trade service platforms constitute an effective approach to realizing the "one-stop-shop" or "single-window" idea and trade facilitation through market instruments.

The success of onetouch.alibaba.com has stimulated the rise of similar service platforms in China. Some examples are: Haitong Yida of OSELL, TRADSO of Haier, SHIMAOTONG of Ningbo, Exportimes, etc. Quite certainly, the near future will see more third-party platforms providing post-transaction comprehensive foreign trade services.



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**Figure 2-2: Current comprehensive foreign trade services**

If successful, this trend will facilitate the formation of a comprehensive international trade service industry in China focused on third-party online platforms; this may even stimulate reforms regarding the approach to government supervision over international trade and promote the establishment of new ways to do business internationally.

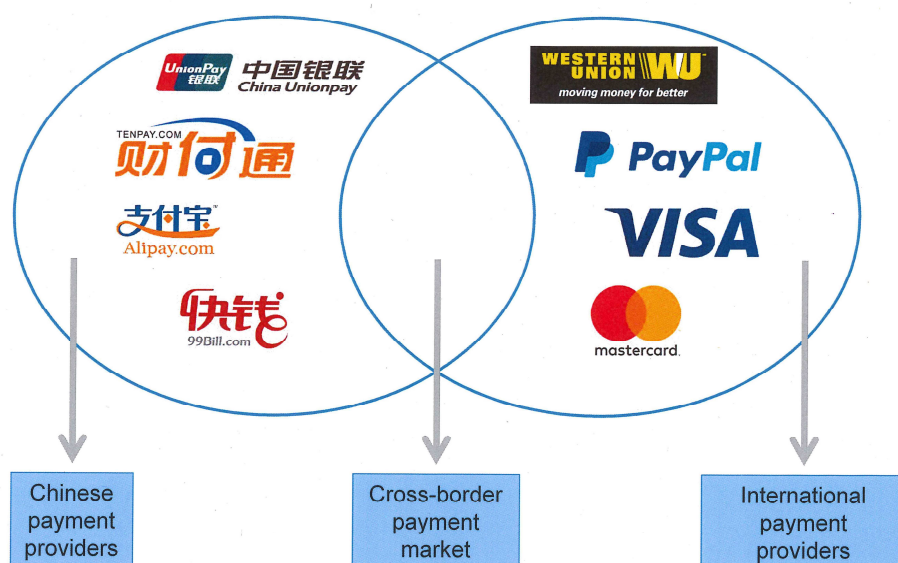
## 2.2 Core Service Providers in China's Cross-Border E-Commerce

### 2.2.1 Payment Service Providers

In 2003, Alibaba established Taobao, a domestic shopping website (comparable to the services of eBay and Amazon). To give buyers and sellers mutual payment trust and improve user experience, Alibaba has launched Alipay, a third-party online payment tool. Currently (March 2017), Alipay has some 400 million users. To facilitate exporters' cross-border payments, Alipay accounts can be kept in US Dollars (USD).

It is noteworthy that not all third-party payment enterprises in China can offer cross-border payment services. After the State Administration of Foreign Exchange conducted a cross-border e-commerce foreign exchange payment service pilot-test in 2013, only 22 third-party payment enterprises such as Alipay and ebatong were approved to provide such payment services.

Next to those third-party payment tools just introduced, cross-border payment services often used by Chinese e-commerce enterprises include PayPal, Visa and Master Card and the remittance service of Western Union. PayPal is similar to Alibaba's Alipay, both suitable for small-sum cross-border retail ranging from a just a couple to a few hundred USD; credit card payments are often used by consumers in the US and Europe. Visa and MasterCard are the most commonly used credit card services in cross-border e-commerce.



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Figure 2-3: Payment service providers in China's cross-border e-commerce

Payment services, provided by both, domestic and overseas payment service providers, generally access cross-border e-commerce platforms via the so-called application programming interface (API). This way, buyers and sellers have multiple payment options on a platform respecting the great variety of

payment tools available to consumers in different countries.

## 2.2.2 Logistics Service Providers

The development of the domestic e-commerce in China leads to a rapid increase of private courier companies. As e-commerce expanded quickly – driven by e.g. Alibaba – SF Express, STO Express, YTO Express, ZTO Express, Best Express and other private courier companies grew along just as fast. These days, their share of the Chinese domestic courier market is more than 80 %. The rapid expansion of private courier companies also forces China Post, which receives subsidies from the government, to make market-oriented reforms, like improving speed and service. It is noteworthy that as cross-border e-commerce develops, these private courier companies establish overseas presence to provide logistics service for Chinese exporters. For instance, SF Express has extended its international courier service to 11 countries including the USA, Korea, Japan, etc.

However, the world's top four courier companies' (UPS and FedEx from the USA, DHL from Germany and TNT from The Netherlands) market share of the overseas courier market of Chinese exit products via e-commerce is nearly 75%. Regarding imports, the picture is different, yet again: once shipped to China by international courier companies, imports triggered by cross-border e-commerce will be distributed by domestic courier companies. Thereof, China Post takes a – governmentally controlled – market share of around 70%.

Like payment services providers, logistics service providers' information systems are connected to the API of cross-border e-commerce platforms. This way, buyers can freely select different logistics service providers on the platform while still being able to retrieve and trace logistics information centrally on the platform itself. This approach gives SMEs comfort to sell goods internationally, ensuring proper goods receipt for global consumers.

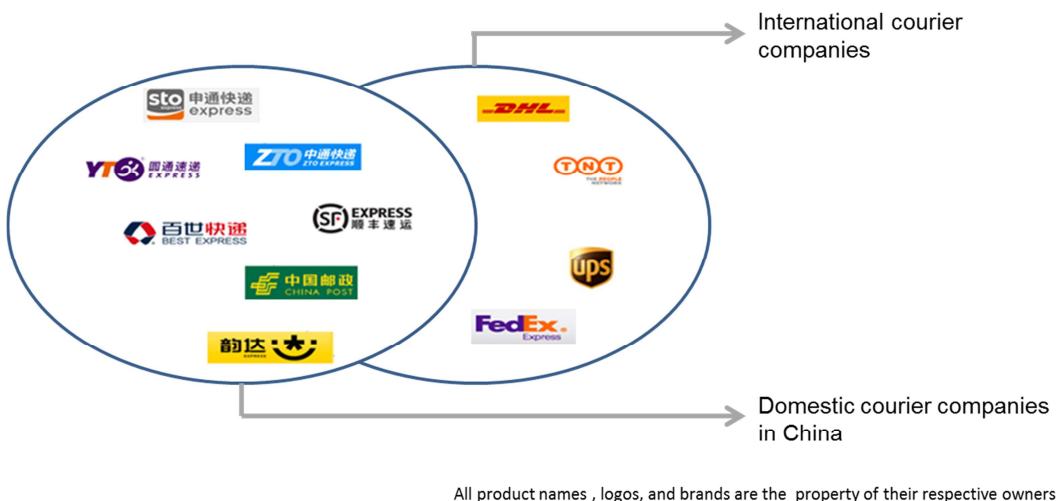


Figure 2-4: Logistics service providers in China's cross-border e-commerce

## 2.3 Value-Added Service Providers in Cross-Border E-Commerce

In cross-border e-commerce, value-added service providers primarily work for clients of third-party platforms. Those providers mainly provide marketing, data, language, consultancy and other value-added services for sellers.

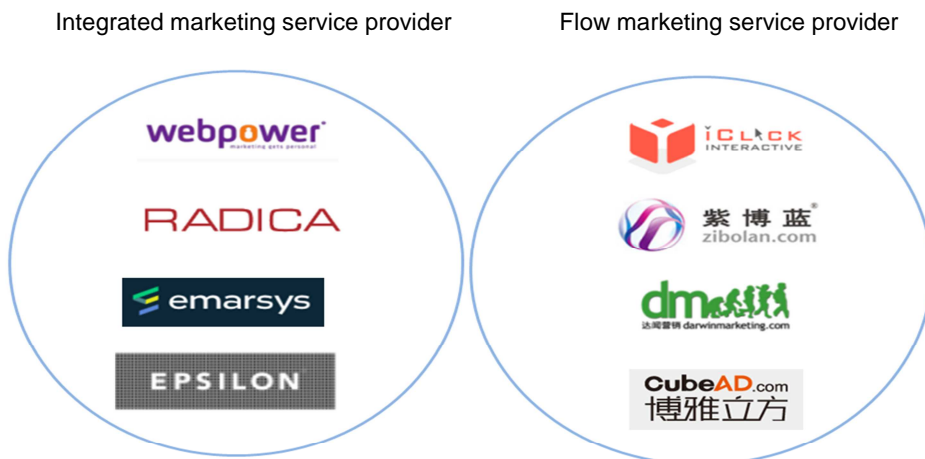
### 2.3.1 Online Marketing Service Providers

Instead of television advertising and other traditional marketing, cross-border e-commerce focuses more on internet marketing, such as search engine advertising. According to Webpower, a leading marketing service provider, among all marketing channels, e-mail marketing ranked 3<sup>rd</sup> in the first half of 2014. This indicates that cross-border e-commerce enterprises need to learn how to effectively use online marketing tools and services.

Online marketing service providers such as integrated marketing service providers and flow marketing providers, can be distinguished based on the characteristics of services provided.

Based on operation data analysis of cross-border e-commerce platforms, integrated marketing service providers focus on intelligent marketing services. For example, the “customer-intelligent” marketing service of the Austrian company Emarsys is designed to help cross-border e-commerce companies store and analyse mass data in big-data models to precisely pinpoint positions of target customers.

Flow marketing providers focus on giving a present flow rate to consumers free of charge, to increase their attention to the platform and downloads.



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Figure 2-5: marketing service providers in Chinese cross-border e-commerce

### 2.3.2 Research & Consultancy Service Providers

The flourishing development of cross-border e-commerce in China can be directly linked to the efforts of many research and consultancy organs in the country. For instance, CIECC, subordinate to the Ministry of Commerce, has been dedicated to facilitating e-commerce in China since the 1990s; in many projects CIECC studies “paperless” trade and researches the practice of cross-border e-commerce. Several of these projects have even developed into actual e-commerce platforms and enterprises, such as Trade2CN. Some of them, after privatization, now rank amongst the best known e-commerce platforms and enterprises such as Alibaba, Xbniao, etc.

Along with the growth of cross-border e-commerce, research and consultancy organs, including new media, have expanded their range of services and make use of additional development opportunities. They have provided comprehensive research and consultancy services for both, local governments and private enterprises in China.

Typical research & consultancy service providers are:

Service providers	Short Description
<b>CIECC</b>	As the comprehensive research and consultancy organ in Chinese cross-border e-commerce, CIECC is also regarded the earliest facilitator of e-commerce in the country. CIECC and its subordinates, such as the Institute of E-Commerce and APEC-ECBA, are influential in involving China in international cooperation on cross-border e-commerce.
<b>Ali Research</b>	Subordinate to Alibaba, Ali Research relies on Alibaba’s larger platform and issues corresponding research reports at regular intervals. Its researches have certain authority and reference value.
<b>EBRUN</b>	Being a new authority on e-commerce in China, EBRUN focuses on information and research on e-commerce service, e-commerce policies, and e-commerce capital.
<b>i-Research</b>	Is particularly influential in the Chinese research market regarding online marketing, e-commerce, mobile internet, big data and internet finance.
<b>Analysis International</b>	Comprehensive information service provider with some influence in China’s internet market

Service providers	Short Description
<b>University of International Business and Economics, International Business Research Center</b>	The first Chinese university department dedicated to the research of cross-border e-commerce. APEC Cross-Border E-Commerce Innovation & Development Research Center has established its office at the International Business Research Center. Due to the large number of research reports issued in collaboration with cross-border e-commerce platforms and consultancy organs, the International Business Research Center has certain influence in the field of cross-border e-commerce.

Figure 2-6: research & consultancy service providers in Chinese cross-border e-commerce

### 2.3.3 Supply Chain Service Providers

As cross-border e-commerce realizes its transactions online, it enables paperless foreign trade processes and at the same time compiles data in vast proportions. In the field of cross-border e-commerce, product information, transaction information, logistics and payment information compiled along the supply chain facilitates business integration. By focusing on e-commerce platforms, concentrating on vertical or horizontal services along supply chains, and by integrating the data compiled, it is possible to manage suppliers, dealers and clients comprehensively and achieve synergetic effects, both upstream and downstream of the supply chain. The ultimate goal is to secure efficient logistics and capital flow. Several players have become active in this field and offer supply-chain services.

Based on the characteristics of their services, supply chain service providers can be distinguished into logistics service providers and synergy service providers. The former focus on vertical integration of goods and logistics services, the latter on horizontal integration of synergy services.

The most renowned cross-border e-commerce supply chain service providers currently active on the Chinese market include 4PX and JUSDA of Foxconn, etc.

### 2.3.4 IT Solution Service Providers

The development of cross-border e-commerce would not be possible without technical support. In the field of foreign trade and cross-border e-commerce, IT solution providers have long followed the development of China's foreign trade and cross-border e-commerce in order to provide necessary and innovative technical solutions. For instance, SNSOFT Co., Ltd., is China's largest provider of foreign trade Enterprise Resource Planning (ERP) and cross-border e-commerce IT solutions. It provides technical solutions to many cross-border e-commerce transaction platforms, foreign trade comprehensive service platforms, and public service platforms. Based on its service model, the company is also developing a cross-border e-commerce practice system to help train HR-departments on cross-border e-commerce.



### **3 Business Models and Processes of China's Cross-Border E-Commerce**

#### **3.1 Business Models and Platforms of Cross-Border E-Commerce**

##### **3.1.1 Models and Platforms of Export E-Commerce**

As the internet develops, cross-border e-commerce has brought about new commercial realities. We are going to introduce new cross-border e-commerce models reflecting these new commercial realities, along with the platforms based on these models. Generally, cross-border e-commerce business models and platforms are classified into three categories corresponding to the three different types of transaction processes: the pre-transaction type, the in-transaction type and the post-transaction type. However, cross-border e-commerce business models and platforms are also classified into self-operating platforms and third-party platforms.

The pre-transaction type of transaction processes is characterized by importers and exporters collecting market information and seeking trading opportunities online and with the help of self-operating and third-party information exchange platforms (see also above, 2.1.1.). Alibaba is the typical online platform providing international trade information specifically for this type of transaction processes. It is also one of the earliest third-party online service platforms having risen rapidly in this field. Other typical third-party platforms include made-in-china.com, globalmarket.com, china.trade2cn.com, etc. On these third-party platforms, SMEs release information and find business partners. Importers and exporters search for information on such platforms and find goods they need, before negotiating and concluding contracts offline, just as they would do in the traditional trade process.

The in-transaction type of transaction processes refers to transactions conducted on so called online-transaction platforms (see also above, 2.1.2.). The typical business model features cross-border online sales, generally involving small monetary sums per individual transaction, but a high number of transactions. Goods are delivered via international express or mail and paid by credit card or third-party online payment means such as PayPal. Nowadays, there are many online service platforms for the in-transaction type of transaction processes, such as DHGate, mai.aliexpress.com and M2Cmart of globalmarket.com. Businesses can fully carry out transactions on such websites. However, individual transactions are generally of relatively low value because of the constraints involved in cross-border payments and logistics, etc.

A noteworthy representative of the in-transaction business model is Winliner, a B2B cross-border e-commerce platform. Winliner provides clients with a multi-language environment. It offers enterprises from all over China opportunities for participation in the cross-border e-commerce business by providing a platform and helping enterprises to overcome language barriers and participate in the global market.

The Winliner platform is based on mobile internet, big data and multi-lingual information processing technology. The platform links other eminent e-commerce platforms and marketing channels from all over the world. Providing translations and by integrating cross-border-link resources for logistics, warehousing and payments, Winliner has established a cross-border trade network reducing barriers for market access around the world. In this way, Chinese SMEs can, while using Chinese, benefit from one-stop localized marketing and service for target markets around the world and engage in cross-border trade just like in domestic trade.

The post-transaction type of transaction processes refers to the stage of executing contracts after the export contract has been signed. This type of transaction processes will involve goods delivery and payment collection, as well as customs clearance for cross-border trade. As a result, in this type of transaction process, importers and exporters will have to deal with supervising government departments and the necessary exchange of comprehensive relevant data and documents. Hereby, post-transaction comprehensive foreign trade service platforms (see also above, 2.1.3.) play a crucial role in facilitating post-transaction process steps.

The following table sums up and visualizes the above-mentioned contents. Please refer to this table for the categorization of the three import and export processes in cross-border e-commerce:

Type of Process	Pre-transaction	In-transaction	Post-transaction
<b>Typical transactions</b>	<ul style="list-style-type: none"> <li>• Attract potential buyers and sellers</li> <li>• Information exchange</li> <li>• Provide trade information</li> <li>• Create trade opportunities</li> <li>• Match-making for deals</li> </ul>	<ul style="list-style-type: none"> <li>• Attract potential buyers and sellers</li> <li>• Information exchange</li> <li>• Provide trade information</li> <li>• Create trade opportunities</li> <li>• Match-making for deals</li> <li>• Deal-making</li> <li>• Finalize online payments</li> <li>• Integrate transport logistics</li> </ul>	<ul style="list-style-type: none"> <li>• Manage export &amp; import process</li> <li>• Prepare export &amp; import documents</li> <li>• Exchange export &amp; import documents</li> <li>• Integrate payments</li> <li>• Integrate logistics</li> <li>• Integrate bank and loan services</li> <li>• Receive and pay foreign currencies</li> <li>• Customs clearance</li> <li>• Integrate supervising government departments</li> </ul>
<b>Examples</b>	<ul style="list-style-type: none"> <li>• Alibaba</li> <li>• made-in-china.com</li> <li>• globalmarket.com</li> <li>• china.trade2cn.com</li> </ul>	<ul style="list-style-type: none"> <li>• DHGate</li> <li>• mai.aliexpress.com</li> <li>• eBay</li> <li>• Winliner</li> </ul>	<ul style="list-style-type: none"> <li>• onetouch.alibaba.com</li> <li>• Shimaotong of Ningbo</li> </ul>

**Figure 3-1: Overview of types of transactions and business models for Chinese export e-commerce**

### 3.1.2 Models and Platforms of Import E-Commerce

Self-operating platforms of import spread rapidly and many such platforms have appeared, including kaola.com, jumeiglobal.com, vip.com, jd.hk and pchmall.com, etc.

Kaola.com presently employs the pure self-operating model. Goods sold on kaola.com are directly purchased at their overseas places of origin by the platform's purchase team to eliminate intermediaries and ensure authenticity. To secure proper warehousing and a time-efficient distribution of products, kaola.com owns bonded warehouses in Chinese cities such as Hangzhou and establishes overseas warehouses in countries such as the United States of America. Besides, it maintains a strategic partnership with Chinese shipping companies, thus securing logistics. Categories of goods available on kaola.com include maternal & infant products, cosmetics, overseas food, nutrition and fitness products, convenience goods and some "direct overseas mailing" items.

The business model of jumeiglobal.com features direct supply chain partnerships with overseas brands without the traditional intermediary. By using bonded warehouses in China as the centre of warehousing and logistics, it ensures delivery speed for the Chinese market. As a first step, jumeiglobal.com primarily purchases Japanese and Korean cosmetics as well as some French and American cosmetics brands. It keeps the goods purchased overseas in the Zhengzhou bonded area while making quality inspection and sales. In the future, jumeiglobal.com plans to expand its cooperation to bonded areas in Guangzhou, Shenzhen, Shanghai and Tianjin.

Vip.com has adopted the "Three Documents"-standard as the highest level of customs management. "Three Documents" means vip.com produces an order fit for review of customs, waybill and payment slip out of the information provided by consumers when placing an order; all documents are provided simultaneously to the supplier on the e-commerce platform, the logistics shipper and the credit payment system provider. This way, vip.com establishes a self-contained and complete supply chain management system, consisting of four parties.

Upon launch, jd.hk has placed online more than 150,000 kinds of imported goods of more than 1,200 brands in some 450 shops. The website is believed to become the next cross-border e-commerce giant following the examples of tmall.hk and amazon China. At present, most firms on jd.hk are third-party overseas firms. Jd.hk's president Liu Qiangdong has reiterated that, though jd.hk is currently engaging in cross-border online shopping in the form of open platform, he still hopes to incorporate imported goods into its own platform in the future.

Pchmall.com is an online direct purchase channel for German products, developed by Linde International Logistics Group based at Parchim Airport in Germany. Until today, it has developed the cross-border e-commerce O2O model (online-to-offline) in duty-free shops at Linde Parchim Airport to conduct import cross-border e-commerce business employing various channels.

Third-party platforms for cross-border e-commerce include tmall.hk, ymatou.com and hellomall.com, etc.

In this regard, tmall.hk, by cooperating with Free Trade Zones (FTZs), has established its cross-border logistics warehouses in logistics centres situated in FTZs. Pilot-tests were carried out in bonded areas and industrial parks in six Chinese cities, namely Ningbo, Shanghai, Chongqing, Hangzhou, Zhengzhou and Guangzhou to establish cross-border networks. This way, tmall.hk turned certain legal risks into legal guarantees, thus reducing the time between a consumer placing an order and receiving the goods, as well as improving the convenience of the overseas direct postal service offered. The cross-border

trade has grown from the “grey sector” into the “gate of light”.

Ymatou.com is a Chinese-consumer-oriented cross-border e-commerce third-party transaction platform. Two kinds of sellers are active on this platform. The first kind consists of individual sellers in C2C-transactions (consumer-to-consumer). The second kind consists of merchants in B2C-transactions (business-to-consumer). Part of ymatou.com’s business model is to help the overseas retail industry reach Chinese consumers. In other words, overseas retailers sell directly to Chinese consumers with direct postal service logistics as the intermediary. This model thus features direct sales, direct purchase and direct postal service.

All the platforms mentioned above basically target cross-border retail. At the same time, B2B cross-border e-commerce also expands quickly. Hellomall.com is a cross-border e-commerce import distribution platform recently launched by HNA Group. The platform mainly distributes to importing online merchants and seeks to establish itself as a cross-border online transaction platform based on B2B.

See the following table for categorization of import cross-border e-commerce.

Import cross-border e-commerce	Self-operated	<ul style="list-style-type: none"> <li>• kaola.hk,</li> <li>• jumeiglobal.com,</li> <li>• vip.com,</li> <li>• jd.hk and</li> <li>• pchmall.com</li> </ul>
	Third-Party Platform	<ul style="list-style-type: none"> <li>• tmall.hk</li> <li>• ymatou.com</li> <li>• hellomall.com</li> </ul>

**Figure 3-2: Overview of Chinese import cross-border e-commerce**

### **3.2 Transactional Steps and Import & Export Channels in Cross-Border E-Commerce**

The following categorization takes the different means of government supervision of import and export as well as cross-border e-commerce as the point of reference. China conducts general-trade and personal-item supervision for import and export as well as cross-border e-commerce. Along with recent developments on the fields of business concerned, some other forms of government supervision have appeared.

### 3.2.1 Export –Transactional Steps and Channels

#### 3.2.1.1 Export in General Trade

“Export in general trade” is one of the ways of government supervision of goods exports. Goods export supervision involves both, importers and exporters – not least because it requires an import & export contract. Often the quantity of goods exported is not limited. The settlement of amounts due under the import & export contract is made through a bank. Under “export in general trade”, the official application procedure must be followed and taxes due include tariff, value added tax (VAT) and consumption tax, etc. At the same time, “export in general trade” is still the main application of customs supervision.

#### 3.2.1.2 Market Purchase Trade

“Market purchase trade” is another application of customs supervision. In designated special regions, the government provides simplified customs clearance to low value exports. It was first conducted in Yiwu, a town in the province of Zhejiang and it is now promoted in other dedicated markets of Zhejiang, Guangdong, Fujian, Beijing, Xinjiang and other coastal and inland regions. As a matter of fact, the “market purchase trade” can be deemed a kind of tourism purchase – however it involves different monetary caps per purchase. The single customs declaration required for “tourism purchases” should not exceed USD 50,000. In contrast, the declaration for “market purchase” should not exceed USD 150,000. Moreover, for the goods exported in the form of “market purchase trade”, the tax authorities will grant VAT-exemption and the foreign exchange administration will allow settlement in Renminbi (RMB).

Of course, not all kinds of goods can be exported via “market purchase trade”. For instance, goods under government bans or limitations, or goods paid cash cannot be exported this way.

#### 3.2.1.3 E-Commerce in Cross-Border Trade (9610)

“9610” is a newly-added customs supervision code, referred to in full as and applicable to “e-commerce in cross-border trade” or shortened as “e-commerce”. The government has added this means of supervision mainly to cater for the characteristics of cross-border e-commerce. Cross-border e-commerce is characterized by high volume – low value (thus many individual orders at relatively low value per order). Hence, if traditional customs supervision were deployed in the context of e-commerce, it would decrease the efficiency and increase the workload of the customs authority. Therefore, the newly-added customs code “9610” has separated cross-border e-commerce and its supervision from other export channels subject to traditional customs supervision. Adopting the form of “clearance according to list and pool for declaration” for the import and export of retail goods in e-commerce is convenient for both, regulating and supervising (see also below, 5.2.4.1).

The following table compares the processes of the three export channels just introduced:

	<b>Export in general trade</b>	<b>Market purchase</b>	<b>9610</b>
<b>Deal is made</b>	Online or offline	Online or offline	Online

	<b>Export in general trade</b>	<b>Market purchase</b>	<b>9610</b>
<b>Passage</b>	Not limited	Only at a few places in China, e.g. Yiwu	Online retail (cross-border e-commerce platform)
<b>Delivery</b>	Logistics	Logistics	Small scale express delivery; postal service
<b>Rebate</b>	Tax collection and rebate	No collection and no rebate	Tax collection and rebate
<b>Settlement</b>	Bank	Bank	Third-party online payment

Figure 3-3: Overview of Chinese export transactional steps by export channel

## 3.2.2 Import – Transaction Steps and Channels

### 3.2.2.1 Import in General Trade

Similar to “export in general trade” (see above, 3.2.2.1), “import in general trade” is also a pattern of government supervision.

### 3.2.2.2 Imports Carried by Individuals

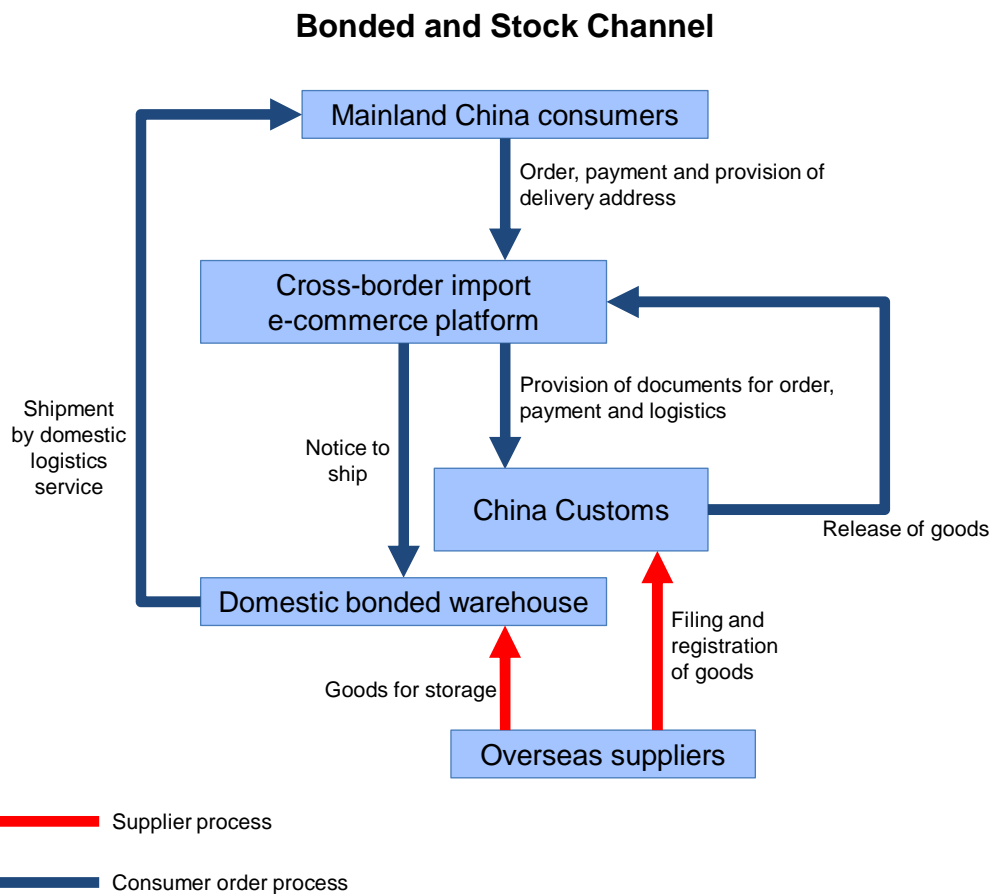
“Imports carried by individuals” refers to individuals carrying goods on them when entering China. When such items enter China, the Chinese customs authorities have supervision over them because the items have to be declared and receive inspection. Some goods cannot be carried at all or only in limited quantities. For instance, each person can only take Chinese medicine and patented medicine worth RMB 300 when entering China. People staying in China for less than six months can carry two bottles of alcoholic drinks. However, if they stay in China for more than six months, they can carry four bottles of alcoholic drinks.

### 3.2.2.3 Bonded and Stock Channel of Cross-Border E-Commerce

The “bonded and stock channel” refers to cross-border e-commerce enterprises making overseas purchases and sending all goods from other countries to bonded warehouses in China. When their consumers place orders online, logistics companies distribute the merchandise directly from the bonded warehouse to the consumers. Warehouses in bonded areas are often operated by the cross-border e-commerce platform itself or cross-border e-commerce courier enterprises. Both can pay customs clearance tax and fees on behalf of the consumers. The import bonded warehouses are multiple-purpose warehouses used to store goods in bonded areas with tariffs not yet paid, much like storing the goods at overseas warehouses. The government handles a positive list management for

imported products of cross-border e-commerce. The list contains about 1,300 customs categories of goods (see also below, 5.2.4.2 and 5.2.5.2).

The following figure illustrates the process of bonded stock import in detail:



**Figure 3-4: Overview of the bonded and stock channel**

### 3.2.2.4 Direct Mail Channel

When using this channel, products are mailed – by traditional mail – directly to China from the seller’s country. In the past, the mail only posted letters, personal items or companies’ samples. Later on, mail became a channel to import personal items on a larger scale. In general, mainland China consumers place orders on internet platforms and sellers will use the mail to deliver the products ordered (see also below, 5.2.5).

China Post, just like the postal services of other countries, follows the regulations of the Universal Postal Union and has a special customs supervision channel.

### 3.2.2.5 Neighbouring Countries / Direct Import Channel

This channel refers to placing products in bonded warehouses in regions close to China, such as the

Hong Kong Special Administrative Region. As a result, it is not necessary to pay taxes. At the same time, it is possible to use the Chinese postal network and therefore avoid the problems that may arise in international logistics.

The following figure illustrates the process in detail:

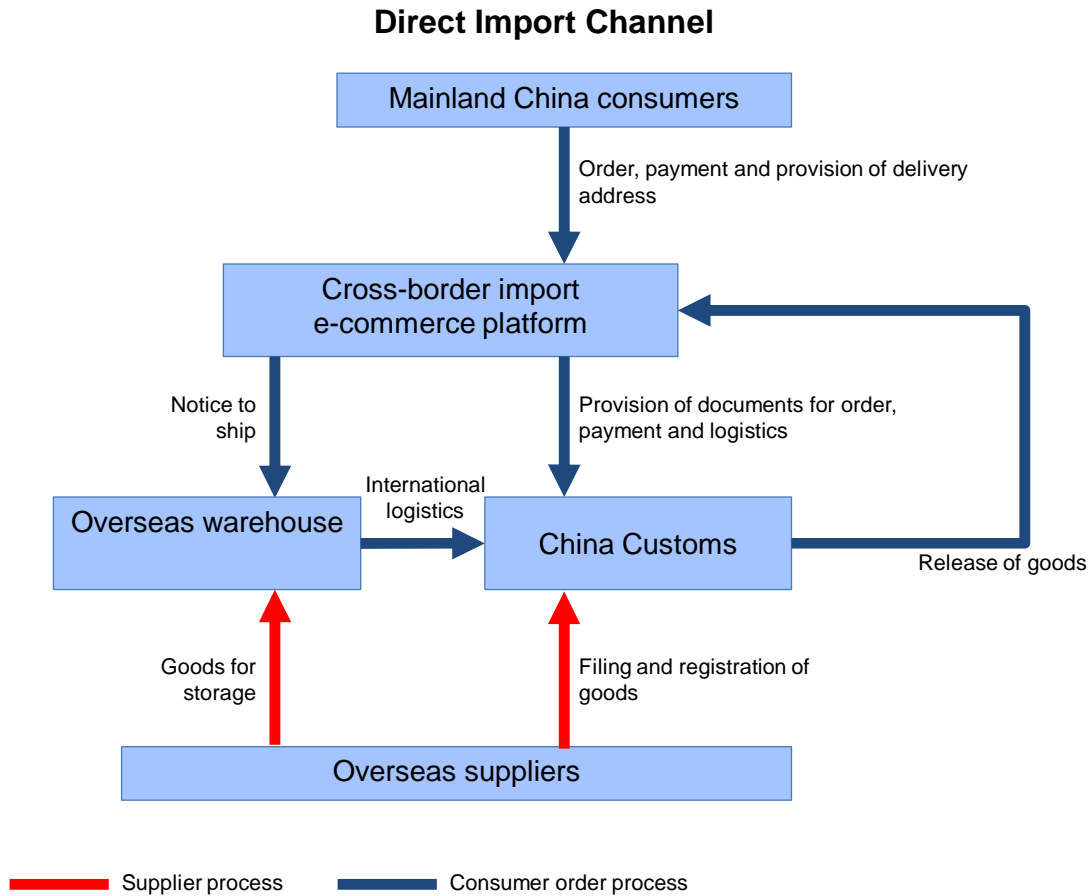


Figure 3-5: Overview of the direct import channel

### 3.2.2.6 Offshore Duty-Free Channel

The offshore duty-free policy exempts passengers flying in from Hainan Island (not from mainland China) from paying import taxes on products purchased on that island within specific times, values, quantities and categories. Payments are made in duty-free shops with an offshore duty-free policy and purchased items can be picked up in the customs surveillance zone of the island airport right before departure. Since February 1, 2016, the Hainan Offshore Duty-Free policy lifted limitations on shopping times for both, residents and tourists on the island of Hainan. According to the new policy, each person can purchase a maximum of RMB 16,000 worth of goods enjoying the island’s duty-free policy within one year. At present, two physical duty-free shops on Hainan have also opened online shopping services.



The offshore duty-free policy requires the following procedure:

- offshore duty-free shops import duty-free goods;
- passengers about to leave the island shop and pay at the duty-free shop;
- the duty-free shop delivers the goods to the airport in accordance with the passengers' flight time; and
- passengers pick-up their items in the customs surveillance zone at the airport before leaving the island.

Under the offshore duty-free policy, the tax exemptions include tariff, VAT in the import process and consumption tax.

In detail, the quantity- and value-limits applying to duty-free shopping are the following:

- it is provisionally regulated that departing passengers (including island residents) can generally purchase duty-free goods worth not more than RMB 5,000 at one time.
- of jewellery, artwork, watches, perfume, glasses (sunglasses), scarfs, ties, woollen textiles, cotton textiles, footwear, hats, leather belts, boxes / cases and sportswear, each person can buy at most two pieces;
- of cosmetics, pens, garments, accessories, and candies, each person can buy up to five pieces;
- of small leather products, each person can buy up to four pieces.
- if passengers pay the import tax of goods according to their value, each person can purchase one piece of goods worth more than 5,000RMB at one time.

Thus, duty-free goods mainly consist of personal consumer goods related to tourism; large and durable consumer goods are excluded. Following international experience and referring to the categories of goods sold at in-city duty-free shops to passengers departing from China, some changes have been made to the 18 categories of goods (mentioned in the bulleted list above) for offshore duty-free shops, in particular by adding sportswear with characteristics of tourism in Hainan to the list.

The following table compares the processes of the import channels just introduced:

	<b>Import in general trade</b>	<b>Imports carried by individuals</b>	<b>Bonded and stock channel</b>	<b>Direct mail channel</b>	<b>Neighbouring countries channel</b>	<b>Offshore duty free</b>
<b>Deal is made</b>	Online or offline	Offline	Online	Online	Online	Offline
<b>Passage</b>	Not limited	Not limited	Online sales	Online sales	Online sales	Hainan island (specified)

	<b>Import in general trade</b>	<b>Imports carried by individuals</b>	<b>Bonded and stock channel</b>	<b>Direct mail channel</b>	<b>Neighbouring countries channel</b>	<b>Offshore duty free</b>
<b>Delivery</b>	Logistics	Personal carriage	Post and courier	Post	Post	Personal carriage
<b>Rebate</b>	Tax collection	No tax collection	Bonded	No tax collection	No tax collection if placed in bonded warehouses	No tax collection

### **3.2.3 Border Trade Channel**

#### **3.2.3.1 Trade in Local Border Traffic**

The Chinese government, considering the realities of local border traffic and referring to international custom, allows residents of border areas to trade goods. Values and quantities of goods traded are limited. Trade must make use of border-crossings designated by the government or take place at designated marketplaces within 20 km of the border. Trade in local border traffic is regulated by the Ministry of Foreign Economy and Trade together with the General Administration of Customs; the governments of border provinces and autonomous regions are in charge of supervision.

According to current regulations, residents of border areas enjoy exemption of import and import-process tariffs for goods worth less than RMB 8,000 per day and per person. For goods worth more than RMB 8,000, tax will only be levied on the excess part.

#### **3.2.3.2 Small-Sum Border Trade**

Small-sum border trade refers to relatively low value cross-border trading activities between enterprises approved by the government and their counterparts in neighbouring countries. Only designated border-crossings may be used; in addition, the government has approved certain border cities “to be open to the outside world”, offering another hub for small-sum border trade.

The customs authorities can maintain such lenient policies because small-sum border trade is characterized by many different categories of goods being traded in small quantities per individual transaction.

### 3.2.3.3 Personal Items

The customs authorities focus on the supervision of individuals carrying items when crossing the Chinese borders. Regardless, some people will attempt to outmanoeuvre the system and turn individual border crossings into a “grey channel”. At first, it is necessary to clarify the difference between “items” – which are categorized as non-trade – and “goods” – which in contrast are categorized as trade. Personal luggage, personal mail items as well as entry & exit express items (including documents and personal items), are considered by the customs authorities as “items”, as long as they are “in reasonable quantities and for personal use”. If, however, objects are carried in large quantities, they do not qualify as “items” and are therefore considered as “goods” that are not intended for personal use but for sales. Unless a proper declaration as general trade goods is made, crossing the Chinese borders in those cases constitutes trafficking.

To come back to the “grey channel” mentioned above, let us study two examples. The first one is the operation of Daigou Shops (shopping agencies). Many overseas Daigou Shops are actually small traders. They import goods making use of the personal items privileges in order to avoid tariffs, VAT or personal postal taxes. Because of the abundance of passenger luggage, personal mail and entry & exit express items, it is impossible for the customs authorities to inspect all of them. This resulted in the popularity of this “grey channel”. In addition, customs authorities will only bring criminal charges occasionally if tax evasion amounts to large sums.

The second example is the smuggler-transport (Shuiké). In the neighbouring cities of Shenzhen and Hong Kong, there are many Shuiké groups consisting of a few to a few hundred smugglers, who are residents of one of the two cities. As residents they can travel between Shenzhen and Hong Kong without limitations to the number of trips; in addition, they can pass customs and border control by simply using the fingerprint readers in the so called “e-channel”. Consequently, they can carry goods from Hong Kong to mainland China in small quantities per individual trip, but frequently. For instance, they carry two cans of infant milk powder, two bottles of red wine, one bag, one bar of cigarettes and a few snacks. The large number of smugglers and the frequency of their trips result in a large quantity of goods free of tariffs and tax to mainland China.

### 3.2.3.4 Transport in Batches

Transport in batches refers to bulk trafficking attempting to steer clear of customs. The few established trafficking channels make use of the following ways and means:

- mainland China & Hong Kong vehicles, making use of cargo vehicles having both mainland China and Hong Kong license plates and carrying goods when driving from Hong Kong to mainland China;
- waterways, referring to transporting goods via ships from Hong Kong to coastal areas in mainland China, such as Shantou the province of Guangdong;
- Vietnam vehicles, which are operated similar to the mainland China & Hong Kong vehicles. Goods are transported to and from Da Nang in Vietnam and Pingxiang in the province of Guangxi;

- the Three Mini Links, making use of transport links between the island of Kinmen (Republic of China) and Xiamen (mainland China) to transport goods from Kinmen to Xiamen.

All these approaches transport goods to China without passing customs, receiving inspection or paying taxes.

### **3.2.3.5 Exploiting Privileges for Local Border Traffic**

Above, customs supervision on local border traffic was introduced. In spite of that supervision, some still regard it a “business opportunity” to copy this channel for trafficking. For example, residents of border areas in China and Vietnam can make use of the privileges for local border traffic to trade goods exempted from import tariffs and import-process tax. To enjoy these privileges, they have to follow strict regulations such as “personal use only”, “below RMB 8,000” and “Made in Vietnam”, etc. However, some smugglers use foreign cargo ships to transfer goods directly onto Vietnamese ships while in international waters. The Vietnamese recipients then transport those goods to China labelling them “trade in local border traffic” to avoid tariffs. Alternatively, some smugglers use Vietnamese fishing boats to deliver goods to Chinese fishermen.

The smugglers often employ residents of border areas to exploit the tax exemption policies for trade in local border traffic, who will then transport the trafficked goods in small batches. Some smugglers even claim to be resident of a border area themselves. Exploiting the privileges for local border traffic has become firmly established as a channel of border trafficking. Taking lobster as an example: the import tariff for living lobster is 15 % (10 % for frozen lobster); with VAT standing at 13 %, trafficking living lobsters can improve margins by up to 28%.

## 4 The Legal and Regulative Framework for Cross-Border E-commerce

Since the 1990s, China has issued a number of laws and regulations to coordinate the development of e-commerce and cross-border e-commerce. For ease of reference, we have broken these laws and regulations down into five categories, namely:

- fundamental laws,
- facilitating laws and regulations,
- regulatory laws and regulations,
- supporting laws and regulations, and
- local laws and regulations.

In general, these five types include all laws and regulations regarding cross-border e-commerce. Applying in different layers, they clarify rights and obligations of the parties to a transaction as well as those of the supervising bodies. One important aim of legislation is to strengthen the development of e-commerce and cross-border e-commerce.

### 4.1 Fundamental Laws

The term “fundamental laws” refers to those basic laws regulating social and commercial actions and behaviours. In general, fundamental laws are made by a nation’s supreme legislature, which in China is the National People’s Congress. The earliest fundamental law related to e-commerce is the *Electronic Signature Law of the People’s Republic of China (Electronic Signature Law)*, which was passed in 2004 and revised in 2015.

Traditionally, legal documents required the use of paper and actual handwritten signatures of the parties. Consequently, Chinese law did not mention whether electronic signatures have the same legal force as handwritten ones. As a matter of course, other issues left unclear were e.g. the kind of valid electronic signature, the securing of electronic signatures, the code of conduct to be followed and dispute settlement procedures regarding electronic transactions. In order to ensure the further development of e-commerce, it was thus urgent and necessary to answer those questions by new legislation. The *Electronic Signature Law* regulates procedures related to electronic signatures, defines electronic signatures as legally binding and safeguards the legitimate rights and interests of parties concerned. Hence, the *Electronic Signature Law* provided a basis for solving many problems in the development of e-commerce and genuine online transactions started to develop gradually.

After 2013, e-commerce’s rapid growth of has brought about new challenges, but also new opportunities. The government therefore considered additional legislation to regulate e-commerce and to make necessary adjustments. As a result, an *E-Commerce Law of the People’s Republic of China (E-Commerce Law)* was placed on the agenda. In three years of work, preliminary surveys and the drafting have made crucial progress. At the end of 2016, the draft was published for public consultation; the passing of the law is expected for late 2017.

With the *E-Commerce Law* taking effect, online transactions would have a fundamental legal framework that is still missing today. Therefore, the enactment of the *E-Commerce Law* is of utmost importance for

supervising bodies as well as for all parties involved in e-commerce.

The current draft of the *E-Commerce Law* indicates that it will regulate e-contracts, e-commerce platforms, logistics, express deliveries, e-payments, consumers' rights and interests, protection of intellectual property rights in e-commerce and cross-border e-commerce, etc. The *E-Commerce Law* will therefore be composite legislation. At the same time, the *E-Commerce Law* aims at comprehensively regulating all issues in the field of e-commerce. So compared with general civil and contract law, it is also a special law.

Other basic content of the *E-Commerce Law* will concern operators in e-commerce, e-commerce transactions and services, e-commerce transaction guarantees, cross-border e-commerce, supervision, management and legal responsibilities, etc.

To sum up, the desirable content of the *E-Commerce Law* should adhere to three principles: facilitate development, regulate order and safeguard rights and interests.

## 4.2 Facilitating Laws and Regulations

Facilitating laws and regulations are those removing detrimental factors, providing new policies and supporting the development of e-commerce and cross-border e-commerce.

Due to the accelerating industry transformation and expanding e-commerce, the General Office of the State Council issued a report titled *A Few Opinions on Facilitating Development of E-Commerce*. This report identified e-commerce as one of the crucial stimuli for industrialization entailing IT development, transformation of economic growth patterns, improvements in the quality and efficiency of national economic operations and – generally – a new type of industrialization. Today's e-commerce giants have been growing rapidly. In May 2003, the Alibaba Group launched the platform Taobao and entered the C2C market; in December 2003, HC360 was listed in the Hong Kong Stock Exchange's Growth Enterprise Market (GEM), becoming the first publicly listed B2B e-commerce company in China. This list could be expanded virtually without limits; for example, in January 2014, JD got into the e-commerce business and instantly became a serious player.

To help more enterprises enter the field of e-commerce, the NDRC and the State Council IT Office jointly issued China's first e-commerce development plan *E-Commerce Development in the 11<sup>th</sup> Five-Year Plan Period* in June 2007. According to the development roadmap, the target percentage share of online purchases and sales ought to be more than 25 % and 10 % respectively, of the overall number of purchase and sale transactions effected in China..Already, the percentage of SMEs engaging in e-commerce rose sharply. Currently, more than 30 % of China's SMEs use e-commerce on a regular basis and online shopping has already become a major form of consumption.

## 4.3 Regulatory Laws and Regulations

In principle, regulatory laws and regulations aim to control trading venues, payment methods and special product categories.

First, they regulate online trading sites. Before 2007, many individuals or companies trading online did not have a business license. Naturally, this led to a number of legal disputes and challenged governmental supervision. The *Beijing Regulations on Promotion of IT Development* announced in 2007

stressed that individuals or companies engaged in online trade in Beijing require a business license. The *Beijing Regulations* were later adopted across the country, strengthening the legitimacy of online shops on online trading platforms like Taobao. Since then, unlicensed individuals or companies are not allowed to run online shops. As a consequence, less fake and shoddy products were produced and distributed.

Second, they regulate online payment methods. After 2007, due to the considerable financial risks of electronic payments, a number of payment problems have emerged. The People's Bank of China reacted accordingly and issued *Regulations on Provisions of Payment Organs* and *Regulations on Internet Payment of Payment Organs* on November 4, 2011 and January 5, 2012 respectively. The aim was to curb financial risks, regulate the payment environment for e-commerce and to eliminate public concerns over payment security.

Third, they regulate special product categories. Regarding transactions of drugs, cigarettes and pets, the government has formulated the following regulative policies:

- Drugs: the government has issued *Regulations on Internet Drug Transaction & Service* applying to all e-commerce trade and service involving drugs (also including medical devices and pharmaceutical packaging materials). Although the regulation prevents the online trade of over-the-counter medicine, online trade involving medical products and drugs is principally allowed and merely regulated.
- Cigarettes: online transactions involving cigarettes are forbidden.
- Pets: online transactions involving pets are permitted for certain categories of animals and means of transport to limit animal trafficking and biological intrusion.

In short, as those examples show, legal standardisation is embodied in many aspects of cross-border e-commerce already. Hence, this strongly suggests that (cross-border) e-commerce will become more regulated while continuing to cover new fields.

#### **4.4 Supporting Laws and Regulations**

Supporting laws and regulations manage logistics, distribution and facilitation of “entry and exit”. On the one hand, they increase the density of regulations on distribution even more; on the other hand, they also facilitate (cross-border) e-commerce.

First, in terms of logistics and distribution, the State Post Bureau has issued *Courier Service* as the industrial standard regulating the categories of e.g. postal items, pricing methods, postal means, insurance, etc. It aims at setting standards for the courier service industry. Thus, it safeguards consumers’ interests, but also controls risks involved in transport. In addition, other regulations such as *Regulations on Courier Service Operations*, *Regulations on Courier Market Management* and *Regulations on Business License in Courier Service* further regulate the market. At present, China's courier service industry market benefits from the positive effects of the competition between a number of players, such as ZTO Express, STO Express, YTO Express, SF Express and Yunda Express. This positive state of the market is attributed to the development of effective laws and regulations and brings convenience to consumers as well as stimulates both, the Chinese and overseas markets for (cross-border) e-commerce.

Second, to facilitate customs clearance, in February 2014, the Chinese customs authorities provided

“9610” (see also above, 3.2.1.3), a new cross-border e-commerce regulation code. It supports “spread delivery but collective declaration”, merging goods in the same category, encourages the use of provisional storage, and general clearance agreements. These measures have already resulted in cost reductions for customs declaration and improved efficiency. Moreover, the “9610”-code provides incentives to enterprises specialised in comprehensive foreign trade services, international shipping agencies and also manufacturers to make use of the new regulation. Therefore, the underlying policy provides a channel for more businesses to engage in cross-border e-commerce.

## **4.5 Local Laws and Regulations**

Local laws and regulations enable local governments to specify rules in accordance to local needs. If we divide the cities in China into coastal ones and inland ones, we can identify a profound trend towards local laws and regulations in reaction to local realities.

Due to location advantages, coastal cities like Shanghai, Shenzhen and Dalian witness a more rapid growth of cross-border e-commerce than inland cities. Local laws and regulations such as the *Shanghai Regulations on Promoting E-Commerce*, the *Shenzhen Regulations on Building a Trustworthy Transaction Environment of E-Commerce* and others, encourage locals and local businesses to make use of those location advantages. The goal is to develop local resources and foster a positive environment for cross-border e-commerce.

Many inland cities have reacted and also implemented regulations to boost the local development of e-commerce. For instance, in Harbin, the market supervision authority took many different measures to support local enterprises, individual merchants and farmers’ cooperatives to apply e-commerce and engage in online transactions. Specifically, these measures ease constraints related to the business location and allow residences to be registered as place of business. For online shops on third party platforms (see also above, 3.1.2) further e-commerce facilitating factors are implemented. Shop owners are only required to pass on the real name confirmation made by the operator of the third party platform; commercial or industrial registrations are not necessary. Statistics show that more than 11,000 shops have been opened on third party platforms like Taobao and Tmall in the wake of this measure. Tianjin, Xi’an and other cities have implemented similar regulations so that more individual merchants can get involved in e-commerce or even cross-border e-commerce using their residence as a place of business.

From coastal regions to inland cities, e-commerce networks are gradually spreading to the entire country. This study concludes that this is closely related to the guidance and the incentives provided laws and regulations. In other words, laws and regulations proved to be an essential building block for the development of cross-border e-commerce in China.

## **5 Policies and Supervision of Cross-Border E-Commerce in China**

### **5.1 Major Policies Regarding Cross-Border E-Commerce**

As this paper has shown, the Chinese government attaches great importance to the development of cross-border e-commerce market and has introduced a number of corresponding measures. These measures include the designation of cross-border e-commerce pilot-test cities and cross-border e-commerce comprehensive test zones.



### **5.1.1 Pilot-Test Cities for Cross-Border E-Commerce**

In 2015, more than 100 million Chinese travelled outside China, spending over RMB 1 trillion overseas. This drain of purchasing power is mainly triggered by the price differences between domestic and overseas markets. This in turn is mainly caused by excessively high taxation and high distributive channel cost in China.

To stop the drain of purchasing power, the NDRC and the General Administration of Customs approved the first pilot-test of cross-border e-commerce in Zhengzhou in 2012. This was expanded to many other cities such as Shanghai, Guangzhou, Chongqing, Hangzhou, Ningbo, Shenzhen, Suzhou and Pingtan, etc. All these cities allowed direct-purchase imports, bonded imports and general export to reduce commodity sales tax and distribution channel costs, thus indirectly lowering the prices (see also above, 3.2.2).

In addition, these pilot-test cities use their specific advantages to create their own signature patterns. For example, Shanghai's Cross-Border Link has formed a free trade zone area and the so called "Direct Mail to China"-channel. Ningbo has developed a Bonded Stock Channel, Hangzhou has built a cross-border e-commerce industrial park and Zhengzhou has developed a cross-border items distribution centre. It is hoped that these new models targeting cross-border e-commerce retail & import, will provide helpful lessons for China's cross-border e-commerce that can be promoted and duplicated all over the country. The April 8 New Supervision Policy mentioned several times in this report, is largely aimed at cross-border e-commerce retail & import in pilot-test cities.

### **5.1.2 Comprehensive Test Zones for Cross-Border E-Commerce**

In the context of e-commerce development, Chinese authorities are confronted with new challenges such as shortages or insufficiencies of laws and regulations, customs supervision, payments, taxation, logistics and other supporting systems.

To address problems in supervising cross-border e-commerce, the State Council established the first comprehensive test zone for cross-border e-commerce in Hangzhou in 2015. The model was later expanded to 12 other cities, including Tianjin, Shanghai, Chongqing, Hefei, Zhengzhou, Guangzhou, Chengdu, Dalian, Ningbo, Qingdao, Shenzhen and Suzhou. This experiment tests business processes, regulatory models and IT development and shall provide useful lessons to other cities developing cross-border e-commerce.

So far, the Hangzhou cross-border e-commerce comprehensive test zone has produced the following six systems and two platforms:

- information sharing system,
- financial service system,
- intelligent logistics system,
- e-commerce credit system,
- statistics monitoring system,
- risk control system,

- Online Single Window platform, and
- Offline Comprehensive Park platform.

Thus, as far as this study is concerned, this test zone has established components for a comprehensive new model for the development of cross-border e-commerce in China.

### **5.1.3 Means of Purchasing Trade in the Market**

Purchasing trade in the market evolved from physical markets in Yiwu (Zhejiang province). It is a simplified export process similar to foreign tourists carrying items out of China. Foreign merchants can purchase goods in designated regions and – with exemption of VAT – clear customs right away while making the purchase. At present, cross-border e-commerce pilot-test cities and comprehensive test zones in China are introducing such market purchase policies. So far, this model is only approved for exports. However, it is discussed whether market purchase may also applied for import of cross-border e-commerce.

## **5.2 Major Market Supervision in Cross-Border E-Commerce**

China attaches great importance to the guidance and supervision of the cross-border e-commerce market. At the same time the regulated and transparent development of cross-border e-commerce is also promoted. This section introduces the market supervision regulations for the cross-border e-commerce market in China. There are seven perspectives to cover:

- operators of cross-border e-commerce,
- e-commerce quality management standards,
- goods inspection & quarantine and positive list system,
- customs regulation means,
- tariff system,
- cross-border payments and exchange receipt & payment system, and
- supervision of relevant systems.

### **5.2.1 Operators of Cross-Border E-Commerce**

In China, there are two types of cross-border e-commerce operators: self-operating and platform-operating cross-border e-commerce enterprises. Cross-border export operators are categorised into three types: first, enterprises providing transaction information; second, enterprises engaging in transactions; third, third-party platforms providing services for other operators' cross-border e-commerce activities (see also above, 2.1).

Current regulations require all operators of cross-border e-commerce in China to go through registration and fulfil archiving requirements. Enterprises, even if only registered in regions where such regulations are not in place, will qualify as operators in regions where such regulations do already apply.

## 5.2.2 Quality Management Standards of E-commerce

On April 6, 2016, the National Technical Committee of E-Commerce Quality Management Standardisation (hereinafter referred to as Committee) was set up in Hangzhou. The Committee, subordinate to AQSIQ, is dedicated to developing standards for e-commerce.

E-Commerce quality management standards include those on general use, quality management, quality credibility, quality supervision, quality risk control, etc.

The Chinese branch of the globally operating standards organisation GS1 and renowned e-commerce businesses such as the Alibaba Group are jointly working on setting up the Technical Sub-Committee of E-Commerce Quality Credibility (SC) that will have its secretariat set at GS1 China.

## 5.2.3 Goods Inspection, Quarantine and Positive List System

### 5.2.3.1 Inspection & Quarantine

China's inspection and quarantine administration has many special requirements and processes regarding imported goods in cross-border e-commerce. These include licensing, registration, filing, review and approval. Different types of products face different requirements for inspection, quarantine and quality licensing.

Please refer to the following table for an overview:

	Quarantine	Hygiene supervision and inspection	Inspection of imported goods
Animal and related products	✓	✓	✓
Plants and related products	✓	✓	✓
Food	✓	✓	X
Home appliances	X	✓	✓
Cosmetics	X	✓	✓

Figure 5-1: Requirements for inspection, quarantine and quality certificate for certain product categories

For goods included in the lists of legal inspection and quarantine, the purchasers must provide a

certificate of origin, a certificate of inspection and quarantine, and other related materials. Cosmetics, health products and similar products, should be registered by the Food and Drug Administration. In China, goods from B2C orders are delivered directly from overseas to consumers. So far, post and courier service providers do not have to pre-register with relevant departments in China, making customs clearance easier. In all other cases, products meeting the requirements of the Chinese authorities can be pre-registered on the AQSIQ-website (<http://ire.eciq.cn/>).

In addition, China attaches great importance to the quality supervision of imported and exported goods. Goods, whose quality or specifications do not meet the requirements, are not allowed to be traded.

### **5.2.3.2 List of Goods in Retail Import**

In April 2016, the Ministry of Finance and other governmental departments issued a list of cross-border e-commerce retail import goods as part of the April 8 New Supervision Policy, namely, the “White List” (also referred to as the “Positive List”). Listed goods mainly include consumer goods demanded by Chinese consumers in large quantities, meeting the Chinese governments’ supervision requirements and which can be imported via express mail.

For goods on the White List, it is not necessary to submit a permit to China Customs; inspection and quarantine supervision follow the general trade regulations. Concerning customs clearance documents, goods mailed directly do not require a verified clearance sheet. Note, however, imports following the bonded channel still have to verify the clearance sheet. The White List challenges enterprises mainly in two aspects, namely, the clearance sheet as such and the process of registration and filing. In practice, enterprises often find it difficult to provide customs clearance sheets meeting the requirements; proper registration and filing of goods often lead to great cost in time and money.

Currently, the White List is in one-year transition period (until May 11, 2017). During this transition period, the 10 cross-border e-commerce pilot-test cities (Shanghai, Hangzhou, Ningbo, Zhengzhou, Guangdong, Shenzhen, Fuzhou, Chongqing, Tianjin and Pingtan) will still follow the supervision policies that had been in place before the April 8 New Supervision Policy mentioned before.

## **5.2.4 Means of Customs Supervision**

To adapt to the rapid development of Chinese cross-border e-commerce, China's General Administration of Customs added the “9610” cross-border e-commerce supervision code (February 2014), and the “1210” bonded cross-border e-commerce supervision code (August 2014).

### **5.2.4.1 Cross-Border E-Commerce Trade – 9610**

This supervision code targets cross-border retail. Under “9610”, businesses can comprehensively submit e-documents for goods online all at once while shipping these goods in several batches. Customs will release these goods in batches accordingly.

Before the “9610” customs supervision was introduced, Chinese cross-border e-commerce lacked effective supervision. As a consequence, the so called “grey customs clearance” caused tax shortfalls and tax rebate could not be made normally for exported goods. Ultimately, “9610” customs supervision

caters for cross-border e-commerce's main feature: many product categories, scattered, yet highly frequent shipping. To do so, it adopts the model of "letting go according to lists while declaring in collectives". Companies can declare collectively every 21 days, thus saving cost and improving customs' efficiency (see also above, 1.3).

#### **5.2.4.2 Bonded Cross-Border E-Commerce – 1210**

Customs supervision also targets bonded and stock retail imports of cross-border e-commerce. Customs supervision "1210" is used for enterprises having cross-border e-commerce activities in bonded logistics centres and special customs supervision zones. The "1210" channel features "shipments from overseas to bonded warehouses before receiving orders". In other words, goods are stored in bonded warehouses supervised by customs. Only after consumers have placed an order, the goods finalize customs clearance quickly and are delivered to the consumers via domestic logistics.

The "1210" mode helps enterprises improve the speed of order fulfilment and optimize the consumers' shopping experience. For China's customs authorities, the "1210" channel, to some extent, improves the efficiency of supervision, and promotes regulated and transparent development of cross-border e-commerce (see also above, 3.2.2.3).

#### **5.2.5 Tariff Regulations**

In order to meet the requirements of cross-border e-commerce in different stages of development, the Chinese government has introduced personal postal tax and composite tax systems targeting retail imports (following the April 8 New Supervision Policy).

##### **5.2.5.1 Personal Postal Tax**

Personal postal tax applies to goods imported by cross-border e-commerce enterprises adopting the direct mail channel (see above, 3.2.2.4). Personal postal tax refers to the import tax levied by Chinese customs for arriving passengers' baggage items and personal postal items. The tax uses an "ad valorem" taxation, with tax payable being the market value of goods multiplied by the applicable import tax rate. Import tax is exempted if the goods price is lower than RMB 50.

The import tax rate of personal postal tax has three levels. The tax rate for food, health care products, toys and furniture is 15 %; that for sportswear (except if gold-plated and accessories), fishing gear, clothing and footwear is 30 %; finally, that for wine, jewellery, golfing items and accessories, watches and cosmetics is 60 %.

##### **5.2.5.2 Composite Tax**

Goods imported by cross-border e-commerce enterprises using the bonded channel qualify for composite tax, in which the tax rate is provisionally set at 0 %. However, the import process VAT and consumption tax are levied at 70 % of the general trade tax without exemption. Transactions worth more than RMB 2,000 at one time or more than RMB 20,000 in one year will result in tax payable at the full rate applicable to general trade (see also above, 3.2.2.3).

## **5.2.6 Cross-Border Payment and Receipt & Payment System**

The Chinese government encourages banks and payment institutions to provide payment services for cross-border e-commerce enterprises and increased the limit for single payments to USD 50,000 to meet enterprises' need.

At present, Chinese cross-border e-commerce companies often use the cross-border payment systems offered by t/t, Western Union, PayPal and others.

## **5.2.7 Supervision of Relevant Issues**

### **5.2.7.1 Supervision of Parallel Import**

Cross-border e-commerce development in China has triggered discussions about parallel imports and related issues. Parallel imports are imports of non-counterfeit goods from third countries parallel to the import-channel used by the manufacturer or intellectual property rights holder and without their consent. A large portion of parallel imports to China are parallel imports of vehicles.

Parallel import of cars, in Chinese regulations, has experienced an upgrade from “grey channel” to “pilot-test development”. By the end of 2015, the government had relaxed the requirements of 3C certification (China Compulsory Certificate, a product quality standardisation), breaking the biggest bottleneck for pilot-tests of parallel import of vehicles.

Even though parallel vehicle imports have thus been approved politically, they still face other problems such as issues of warranty and after-sales services, too many sources of vehicles, transnational company monopolies, etc. Parallel import of vehicles has the mission to break monopolies and improve the functioning of China's vehicle market. But there is still a long way to go.

### **5.2.7.2 Intellectual Property Rights Supervision**

In spite of the great difficulties of intellectual property rights (IPR) management in cross-border e-commerce, the Chinese Government attaches great importance to the protection of trademarks, brands and other IPRs. IPR protection has rigid rules, including the strict control of the sale of fake and shoddy goods.

At present, IPR infringements in Chinese cross-border e-commerce mainly concern copyrights, trademarks, patents and fake patents, etc. Targeting these infringements, Chinese customs have adopted a White List of IPR licensing while also reinforcing the fight against IPR infringements. For enterprises, it is necessary to strengthen their value chain management to retain the necessary documentation.

### **5.2.7.3 Change & Refund Supervision**

While attempting to meet consumers' needs, China's cross-border market has also seen many cases of infringements of consumers' rights and interests. The statutory seven-day-return-policy is not eligible for cross-border e-commerce because of customs regulations and cost pressure.

At the moment, cross-border e-commerce platforms in China generally use two ways to address the issue of returns. Either, the platform as a whole supports the seven-day-return-policy. Then, the platform itself is responsible for the complex return process and bears the high costs involved. Or, the platform allows sellers to negotiate with buyers about whether to support the seven-day-return-policy for transaction. The return cost may be shared between sellers and buyers.

## **6 Challenges Faced by Cross-Border E-Commerce and Its Development Trends**

### **6.1 Challenges Faced by Cross-Border E-Commerce**

#### **6.1.1 Management of Customs Clearance**

Currently, international online trade is characterised by high volume – low value (many individual orders at relatively low value per order), making customs supervision both complex and difficult.

First, the workload has increased. Customs have to levy small tax-amounts from domestic consumers, making collection complex and the workload heavy.

Second, also the workload induced by the necessary fight against smuggling has increased. Most cross-border e-commerce transactions are low-value transactions, with most of them not reaching the minimum value for customs declaration; these transactions therefore remain unverified and are impossible to record in detail. Besides, as goods come in from around the world, the verification work will inevitably have loopholes.

Third, fighting and verifying infringements is increasingly difficult. Cross-border e-commerce involves at least two countries, making obtaining proper documentation difficult. As the sender fills in the delivery sheets and courier companies do not verify the items indicated, customs have a hard time identifying infringing items.

#### **6.1.2 Foreign Exchange Supervision**

Both third-party online transaction platforms and buyers using online payment tools (see above, 2.2.1), cause difficulties to the supervision of foreign exchange and banks.

First, it is difficult to supervise the nature of cross-border online transaction payments. At present, cross-border e-commerce is mostly carried out through third-party platforms. It is therefore difficult to get authentic information on money transfers.

Second, it is difficult to supervise foreign trade settlements. For product categories involving low-value single transactions, no customs declaration is made at all. Without customs clearance data, foreign exchange administration finds it impossible to verify the real amounts of goods exported.

Third, it is difficult to classify the nature of foreign exchange receipt and payment as the nature of transactions is difficult to determine and a lot of money flows beyond supervision. This might eventually lead to distortions in foreign exchange settlement data and difficulties in keeping statistics of international balance. This therefore impacts the authenticity and accuracy of information passed on within and between authorities.

#### **6.1.3 Taxation**

E-commerce has no fixed venue and some companies have enjoyed a tax-free environment.

First, the international community lacks consensus on taxation. Currently, states disagree regarding



consumption tax on online international trade and on whether taxes should be collected from suppliers or consumers.

Second, with the value per individual transaction being typically low, the difficulty of obtaining taxation evidence increases and often makes it impossible to clarify the actual nature of transactions. Even more, as online transactions do not have a fixed venue, taxation supervision and collection are difficult from the outset.

Third, international tax evasion has worsened. Electronic contracts and transactions are easily manipulated. Besides, enterprises can evade tax by moving funds internationally, making tax discipline difficult to be executed.

#### **6.1.4 Protection of Consumers' Rights and Interests**

The protection of consumers' rights and interests mainly refers to after-sales service quality and protection of personal information.

Security concerns regarding online shopping are the primary factor hindering consumers to shop online. For consumers, cross-border online shopping involves higher risks, especially regarding fake and shoddy goods, etc. Products purchased overseas enter China by mail. Without inspection by the quality inspection authorities, they cannot help consumers safeguard their rights and interests once quality problems arise.

In addition, online retailers can easily collect large quantities of personal information of buyers and visitors, thus threatening the privacy of consumers. For example, credit card information of consumers might be stolen, or large amounts of spam might harass users.

#### **6.1.5 Statistics**

First, it is near impossible for the authorities to keep statistics of online international trade. Many products sold or purchased online leave no physical "paper trail". Customs does not have statistical data of low-value products. Therefore, most statistical data is simply estimated, resulting in poor accuracy.

Second, the nature of many cross-border online transactions remains unconfirmed and capital flows remain below the radar of supervision. As a result, statistics of international balance will contain inaccuracies.

Thirdly, tax loopholes falsify statistics. There is no worldwide uniform taxation system for cross-border online shopping. This results in differences between taxation statistics and realities.

#### **6.1.6 Commodity Inspection**

Products ordered via cross-border online shopping, are often transported via courier or mail, making it easy to bypass supervision, inspection and quarantine. This constitutes a great challenge for the proper enforcement of commodity inspection and quarantine. In addition, laws, rules and regulations are not updated in time, as authorities are unable to keep up with the rapid development of cross-border e-commerce. For example, many consumers import infant formula milk via the Daigou system (overseas

agency purchase). The inspection and quarantine authorities often find it impossible to control quality and risks of such products. Naturally, other goods cause similar problems.

### **6.1.7 International Logistics & Distribution**

First, in spite of the rapid development of cross-border e-commerce, logistics and transport channels are lagging behind, resulting in a cargo backlog or market players being forced to employ more expensive logistics companies. The current order and warehousing systems have to cope with ever-rising quantities and prove to be unable of efficiently solving problems and addressing the diverse and complex needs of clients.

Second, in some countries, the local logistics system is underdeveloped and depends on foreign logistics distribution centres.

Third, consumer experience is often poor due to long delivery times, missing tracking during the shipping process, inconvenient return and exchange policies, customs clearance barriers and even damaged parcels. Because of the diversity in current logistics models, when selecting a logistics service provider, enterprises have to consider multiple factors, such as product features, logistics costs, and timing issues. A holistic approach to solve the uncertainties involved in international logistics would require a whole new worldwide system of rules for international logistics. At least, it is necessary to coordinate the different conditions in different countries.

### **6.1.8 Jurisdiction in Cross-Border E-Commerce**

Jurisdiction has so far remained an unsolved issue in cross-border e-commerce. Cross-border e-commerce does not have a clear local connection because consumers and businesses are in different countries and jurisdictions. Consequently, there is great disagreement regarding the competent jurisdiction when it comes to protecting the rights and interests of sellers or buyers. The same applies to the determination of the applicable laws. Ideally, international organisations should coordinate and build a system to resolve disputes regarding online shopping, define the responsibilities of consumers and businesses as well as platforms in different countries, etc. (see the example of Chinese organisation above, 1.4.3)

### **6.1.9 Cross-Border Privacy Protection**

In cross-border online transaction, consumers' sensitive personal information is logged. Leaks are therefore a likely scenario. In addition, states differ in the level of protection of personal information of consumers. The United States of America has a loose policy regarding the protection of personal information, whereas the European Union applies strict policies. China's legal definition of privacy rules is vague.

In 2007, the Asia-Pacific Economic Cooperation (APEC) signed the *APEC Data Privacy Pathfinder Initiative*, which proposed to establish a simple and transparent system of rules for privacy protection in within APEC. This aimed at implementing data protection, strengthening consumers' confidence and promoting cross-border data exchange. In 2011, APEC passed a cross-border system for privacy rules in commerce (*APEC Rules of Cross-Border Commerce Personal Data Privacy Protection and Its*

*Implementation*) However, by definition, cross-border e-commerce involves many countries and regions. Currently, not even limited privacy protection rule systems could be fully implemented. The question of how to achieve cross-border privacy protection on a global scale is therefore one of the most pressing issue of cross-border e-commerce.

### **6.1.10 Cross-Border Data Flow**

Due to different legal systems, cultural traditions and levels of economic growth, individual countries differ in scope, specific content, supervision and implementation of cross-border data flows. This causes two problems: coordination of the different standards regarding data flow and application and enforcement of data flow laws.

There are no internationally agreed regulations on the cross-border flow of data. To promote cross-border data flow in favour of cross-border e-commerce, we might need to classify digital products, harmonize the rules of cross-border data flow, and ensure data protection while enabling the use to the largest possible extent.

## **6.2 The April 8 New Supervision Policies and Innovations in Foreign Trade Supervision**

### **6.2.1 Extended Transition Period for the April 8 New Supervision Policies**

The extension of the transition period was made mainly because of the *Notification About Taxation Policy of Cross-Border E-commerce Retail Imports* issued by the Ministry of Finance on April 8, 2016. For the bonded stock retail import model in the pilot-test cities, the customs authorities have adopted a new tax system. This was triggered by most cross-border e-commerce enterprises and platforms finding it impossible to meet the requirements of the traditional customs clearance sheet system required in general trade. Afterwards, the government proposed to suspend the general-trade supervising policies for cross-border e-commerce retail import and to lengthen the transition period to 2017. In the meantime, the government plans to reflect on supervising policies for foreign trade, in particular on how to make supervision innovations corresponding to the needs of cross-border e-commerce.

### **6.2.2 Small Orders and Scattered Development of International Trade**

A few decades ago, China adopted the policy of reforms and opening-up. With years passing by, China has become the world's largest exporter of consumer goods, and simultaneously, the world's largest consumer. Growing purchasing power of Chinese consumers boosted overseas shopping. According to the Ministry of Commerce, Chinese consumers spent nearly RMB 1 trillion annually in overseas markets. However, it is necessary to highlight, that most goods are brought back to China from overseas travellers and even more are imported via "grey channels" (and are therefore not included in government supervision and statistics).

The launch of customs policy pilot-test cities is designed for retail import in the bonded and stock channel. This launch aims to retrieve overseas consumption back to China and to boost cross-border e-commerce. Traditionally, foreign trade generally only involved importers and exporters. Today,

however, consumers and online retail platforms are also involved in foreign trade. As a consequence, foreign trade will most likely face a trend towards relatively low-value orders and scattered development.

In fact, the trend towards low-value orders, greater frequency and diverse trading operators is brought about by the global e-commerce developments, service innovations, personnel flow and lower barriers in international trade, all of which results in commodities flowing more freely in the global market. In other words, through a variety of channels, including direct mail, personal carriage and transactions on e-commerce platforms, more small, medium and micro businesses – even individuals – will find it easier to engage in international trade.

We call this new phenomenon the “inclusive trade”. To be specific, small, medium and micro businesses can directly participate in global trade because of lower trade-barriers, partly caused by cross-border e-commerce. Inclusive trade even changes the ways of international trade by influencing the division of labour along the international value chain and by forming a new layout of international markets. Many current phenomena cannot be explained or understood by using traditional thinking and theory. Cross-border e-commerce development in China is leading in the world. Nevertheless, we have also witnessed many problems brought about by the ongoing fragmentation of global trade.

### **6.2.3 Innovations of Trade Supervision**

Facing the new phenomenon of cross-border e-commerce, traditional supervision thinking does not work anymore.

Foreign trade supervision in China has traditionally been divided into “general trade” and “personal post”. The former is targeted at international goods trading between exporters and importers and the latter is targeted at supervision of personal items. They differ in taxation policies and supervision procedures. In the past, there was very little personal post and a simplified supervision process was followed. But the trend of inclusive trade is gradually increasing the quantity of personal posts. Small, medium and micro enterprises and even individuals, start to import or export single or small-order products. In China, natural persons’ customs declarations are limited to personal items with many constraints regarding the categories of goods. Supervision innovations in recent years have left the single or small-order import and export by businesses basically categorized as supervision in general trade. For instance, the “9610” export supervision code refers to small-order export being supervised similar to general trade. To be specific, the goods are filed and shipped individually in a scattered way before being integrated into a uniform sheet for a general customs declaration at one time. Also the April 8 New Supervision Policy intends to supervise the cross-border e-commerce bonded and stock channel retail import in the way similar to general trade. The problems faced by consumers and enterprises in the wake of the April 8 New Supervision Policy were also brought about by the employment of traditional general-trade supervision means. This shows that the government supervising bodies, facing the trend of global inclusive trade, keep lingering between general trade supervision and personal items supervision.

Of course, the lengthening of the transition period to the end of 2017 shows the government needs time to continue the pilot-test and to sum up experiences before designing a supervising system corresponding to the needs of current global trade developments.

In fact, the development of cross-border e-commerce in China is leading in the world, which is by some attributed to the simplified supervision procedures. Others attribute it also to tax-free policies for

low-value trade in many countries, in particular the developed countries. For example, there is a worldwide trend towards handling an exemption level for relatively low-value goods. In Europe, worth EUR 150 or less are free from tariffs and VAT; in the United States of America, imported goods worth less than USD 800 are completely free of tax. This shows that there are development chances for small and micro enterprises and individuals. Consequently, there is potential for small and micro enterprises and global consumers to stimulate trade growth. To further develop cross-border e-commerce in China, innovations of trade supervision means have been put on the agenda.

To cater for the trend towards worldwide inclusive trade, innovations in China's trade supervision means should consider the following aspects:

- regulation should not distinguish between goods and personal items and a unified tax / tariff system should be implemented;
- recognize the right of natural persons to make customs declarations;
- establish legal status of comprehensive foreign trade service platforms;
- simplify supervision processes for low-value goods and tax policy; and
- implement a public-private partnership supervision system, for partnerships between government and the private sector for supervision of e.g. cross-border e-commerce platforms, foreign trade comprehensive service platforms and logistics companies.

## **6.3 Development Trends in Cross-Border E-Commerce**

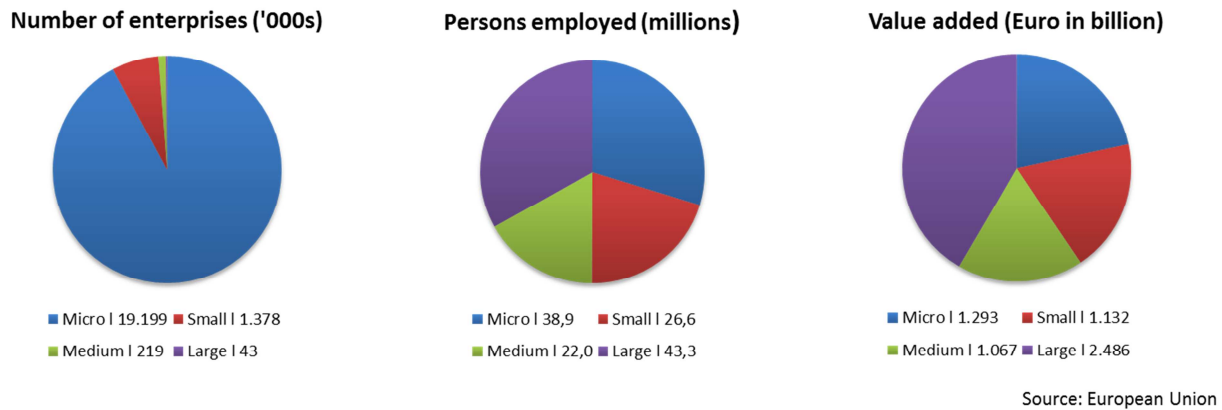
### **6.3.1 Arrival of the Inclusive Trade Era**

#### **6.3.1.1 Understanding Inclusive Trade**

As elaborated throughout this study, the rapid development of the internet has triggered changes in business models, products, and market structure. This brought about new opportunities and a profound transformation of international trade. Consumers, businesses (especially SMEs) and even more vulnerable groups in traditional trade can now be involved in international trade and thus gain access to high quality resources, services and a wide range of channels. International market information is more transparent, thresholds for market access are lower, and the whole trading process easier. Therefore, the internet has given international trade "inclusive" features. The "inclusive trade" era has begun.

SMEs play a vital role in national economies. In the European Union, for example, 99.8 % of all enterprises are small, medium and micro enterprises, contributing 66.9 % of the jobs and 58.1 % of the value created. In traditional international trade, however, small, medium and micro enterprises are hardly able to face risks inherent in international markets. They also find it difficult to compete against big enterprises in terms of scope of supplier selection, trade channels and trade negotiations. They are often at disadvantage in the competition. However, the development of the internet brought about innovations in business models, for example the rise of platforms and the establishment of platform credit systems. SMEs are therefore now able to contact global traders via the internet. This way they can compete against big enterprises on the same platform. Even individual merchants can get involved in international trade. People can directly, through the Internet, purchase overseas products. International trade extents

its coverage and the world trade order becomes fairer.



**Figure 6-1 Contributions of EU SMEs to the number of enterprises, employment and value creation**

### 6.3.1.2 Factors and Theoretical Foundations of Inclusive Trade

Inclusive trade is mainly represented by the following aspects:

- small and micro enterprises, and even individuals can participate directly in international trade;
- trading processes become more convenient and transparent;
- channels for participating in international trade are more accessible;
- information in international trade is more symmetrical; and
- all parties in the trade can benefit from it.

Theoretically, the global trend of inclusive trade is attributed to lowered thresholds in global trade. Innovations in international telecommunication and transport, and more convenient global travel have greatly lowered the threshold to participating in international trade. This is represented by the following aspects:

- lower cost of searching for products;
- diverse transaction means;
- lower credit cost;
- online international micro-payment are more convenient; and
- express international logistics services become prevalent.

In the past, import and export or trade of international goods was dominated by big companies. Now, these are greatly affected by increasingly decentralized and fragmented trade. Because internet information exchange is so fast and easy, cross-border e-commerce platform services are maturing, and internationalization of global express and mail services, international trade is no longer restricted to its traditional form influenced by the economies of scale.

## **6.3.2 Trend of Globalized Retail and Purchase**

Through the internet, "buying globally and selling globally" can bring many benefits for consumers. First, buying goods overseas via the internet, consumers can secure low prices and thus have higher purchasing power. This again can enhance consumer welfare and even improve the quality of life. Second, it can increase the availability of sales channels and consumer choices, thus consumer needs are met more accurately. Third, cross-border online shopping is fast and convenient, so consumers do not have to go abroad to buy necessities. These three benefits have resulted in the current trend towards a globalised retail and purchase market. It seems necessary to further change the policy of "encouraging export but limiting import". That way, domestic consumers can enjoy the inexpensive goods offered worldwide.

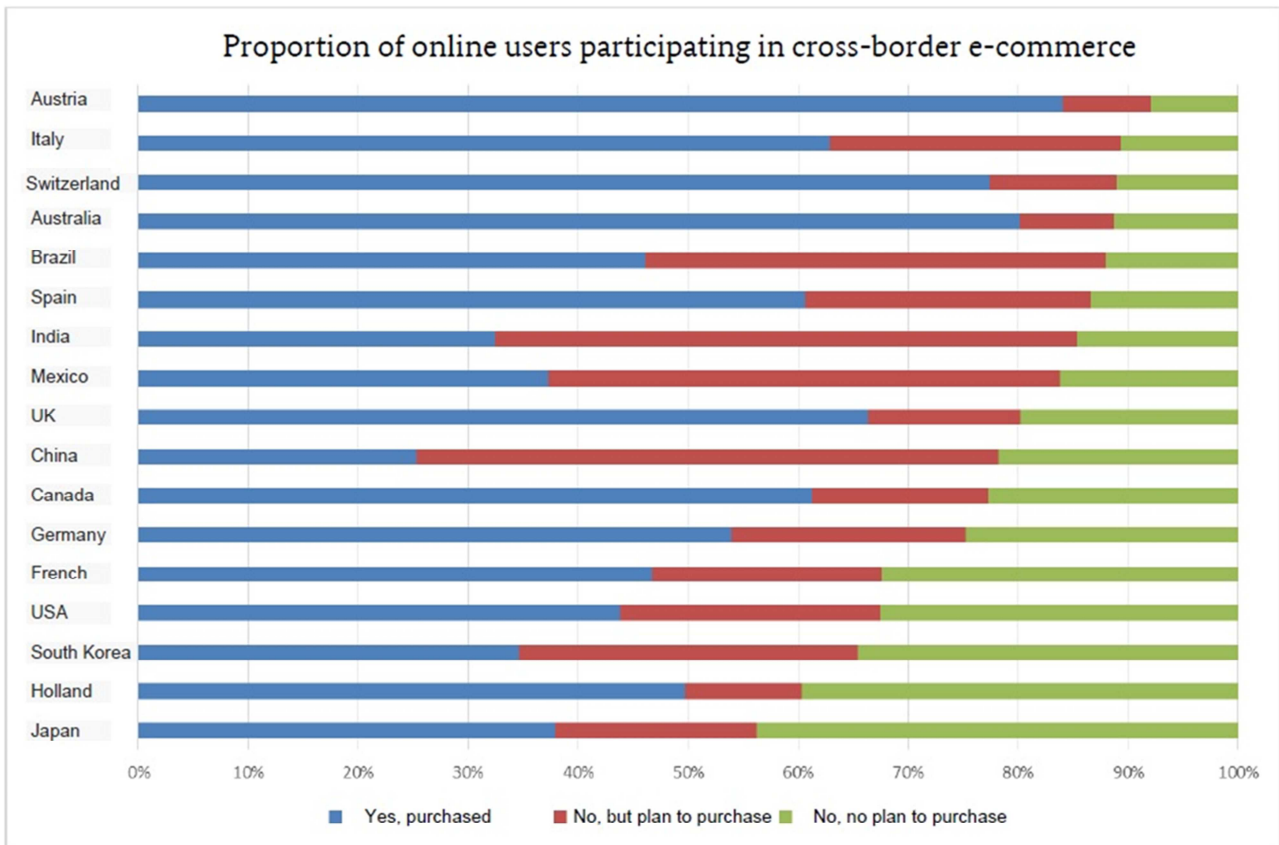
### **6.3.2.1 Rise of Cross-Border Consumption in Various Countries**

Globalisation of consumption has boosted cross-border online shoppers' inclination to buy. As Figure 6-2 reveals, most online shoppers have already experienced cross-border online shopping and many consumers have intention to do so. Even in countries with traditionally high levels of consumption and high disposable incomes, consumers may be inclined to shop online. That way they have the chance to get cheaper products because of the higher local price of commodities – Australia is a good example, revealing a constant influx of deliveries, not only from the sellers of the United States of America, but also from other countries around the world.

Especially in countries having to deal with a rather poor domestic product supply, or a lack of high quality products, the proportion of the population resorting to cross-border online shopping is often very high, as their demands cannot be met locally.

Moreover, there is also a great inclination to engage in cross-border shopping in countries maintaining strict limitations on imports. For example, relatively few Chinese and Indian consumers are already involved in cross-border e-commerce. But the proportion of Chinese and Indian consumers intending to do so is quite high, revealing the great market potential. However, in countries where local goods meet consumers' demand and where there is strong awareness of national protectionism, such as Japan and Korea, the proportion of consumers intending to engage in cross-border online shopping is relatively low.

As the internet becomes increasingly prevalent in each country, consumers are gradually establishing their online shopping habits. As a result, the number of consumers involved in cross-border online shopping will continue to grow and open up e-commerce opportunities.



Source: DHL Report 2015 Shop the World

Figure 6-2: Inclination to buy of online consumers around the world

### 6.3.2.2 Cross-Border Online Shopping Improves Consumers' Welfare

Through cross-border online shopping, individual consumers cannot only buy goods which otherwise would not be available in their domestic markets, they also have the chance to buy imported goods at lower prices. This ultimately increases consumers' purchasing power. Comparably, consumers of cross-border online shopping generally focus more on price (compared to consumers of domestic websites and physical stores), product quality and brand preference. Furthermore, cross-border e-commerce platforms increase the number of available shopping channels and product categories and thus, cross-border e-commerce covers more diverse consumer preferences.

### 6.3.2.3 Evolution of Structures of Cross-Border Online Shopping in Consumer Goods

Due to the differences in locally available resources, there are also differences in the supply and demand of consumer goods in different countries. Cross-border e-commerce platforms can be an effective way of allocating products where needed. Brazil, for example, has a high demand for consumer electronic products; Africa in turn is short in power supply and therefore has high demand for emergency lights and energy-saving light sources. Middle Eastern markets have rising demands for hardware products, home furnishings and gifts. American cross-border online consumers primarily purchase the following products:



garments, consumer electronics and media – the demand is met by supplies from Britain, China and Canada. Japanese cross-border online consumers favour the following products: garments, food and beverages as well as media; products mainly come from the United States of America and China. Indian cross-border online consumers' focus on even different products: smartphones, laptops, electronics and even wedding dresses, with products mainly being supplied from China, Germany, Malaysia and Singapore.

Furthermore, as consumer goods become more globalised, only differentiated products can meet the needs of different consumers. Therefore, business heterogeneity is necessary for the development of global markets.

### **6.3.3 Trend of eWTP and Global Trade Platform Rules**

The concept of eWTP was first proposed by Jack Ma, the Chairman of Alibaba's Board of Directors, at the 2016 Boao Forum. The term "eWTP" means Electronic World Trade Platform. Jack Ma proposed the concept to react to the global trend of inclusive trade, in which cross-border e-commerce platforms are playing an increasingly important role. Inclusive trade helps medium, small and micro enterprises, and even individuals from all over the world, to get direct access international markets. How to lay down new trade rules based on the concept of eWTP is therefore a key issue.

Under the concept of eWTP, it is planned to discuss rules for an electronic world trade platform from the following perspectives:

- led by the private sector;
- how to let small and micro enterprise easily participate in international value chains;
- how to let global consumers benefit directly from international trade;
- small and micro enterprises participate in certification systems for international trade;
- logistics and distribution systems fit for global fragmented trade;
- global payment systems based on cross-border e-commerce platforms;
- global credit system and rules based on cross-border e-commerce platforms;
- global supervision policies featuring tax exemption for low-value goods;
- global trade supervision encouraging innovations through public-private partnerships to enhance the development of inclusive trade