

# Cross-border Business

## Summary :

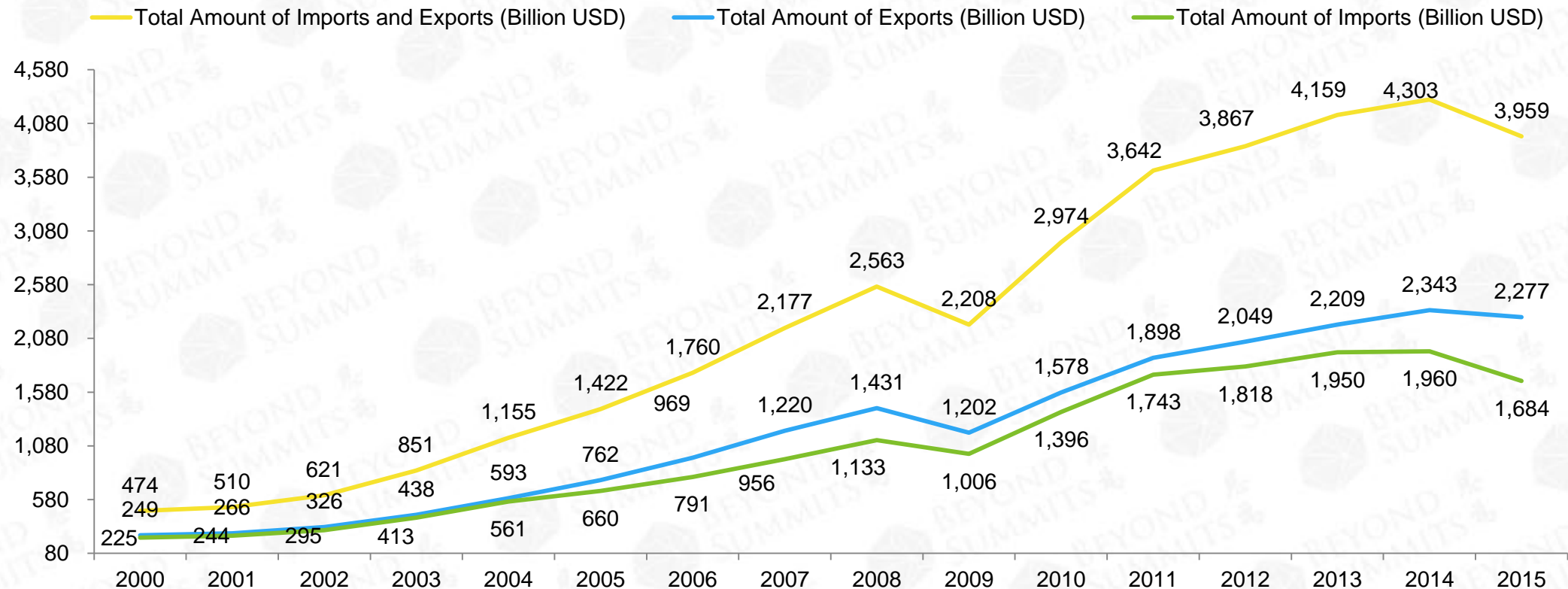
- The import and export volume of China's foreign trade dropped in 2015, with trade surplus at \$593 billion. However, the growth of Chinese export was still faster than other leading economies and emerging countries.
- China's exports to some major economies, including European Union, Japan, Russia and Brazil, showed a decline in 2015.
- The growth rate of China's cross-border e-commerce has been much higher than total amount of imports and exports in spite of global trade slump, which means that the penetration of cross-border e-commerce in import and export trade has been very high.

## Summary :

- In terms of cross-border e-commerce, China's total amount of exports was higher than imports in 2015, while the proportion of imports has continued to increase. The major exporting destinations include the United States, the European Union, and ASEAN. The exporters were mainly distributed in coastal areas, including Guangdong, Zhejiang, and Jiangsu. In all the product categories for exports, 3-C electronic products turned to be the most popular category.
- China's cross-border e-commerce mainly focused on B2B business, while the retail business has boomed, especially in cross-border import retail business.
- Based on the ECI index of cross-border e-commerce, the United States, the UK, Australia, France, Italy, Japan, and Canada were strongly connected to China. Germany, South Korea, Russia, India, Turkey, Brazil, and South Africa were moderately connected with China. Mexico, Indonesia, Argentina, Saudi Arabia had a relatively weak connection with China.

The import and export volume of China's foreign trade dropped in 2015. However, the growth of China's export value was still faster than the other leading economies and emerging countries. It should be noted that the import and export volume in processing trade and traditional labor-intensive industries has dropped dramatically.

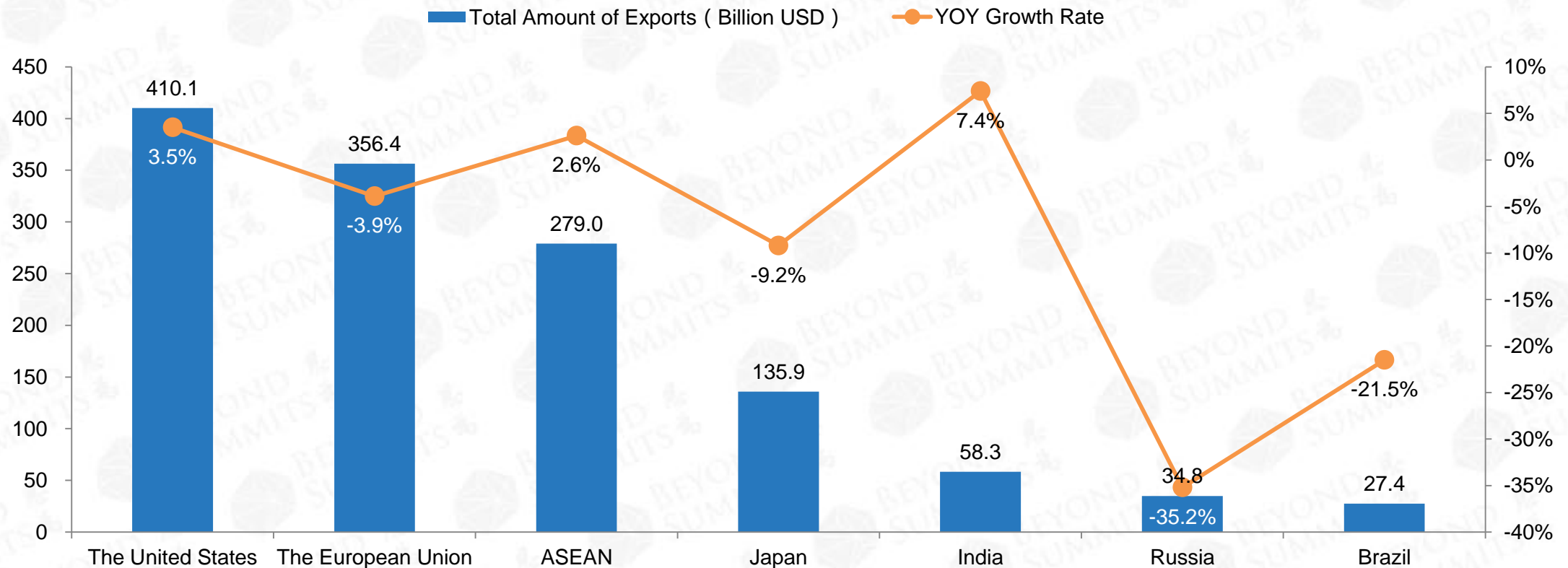
### China's Total Amount of Imports and Exports



Source : National Bureau of Statistics of the People's Republic of China

In 2015, the situation of China's foreign trade was not optimistic. China's exports to some major economies decreased, including European Union, Japan, Russia and Brazil.

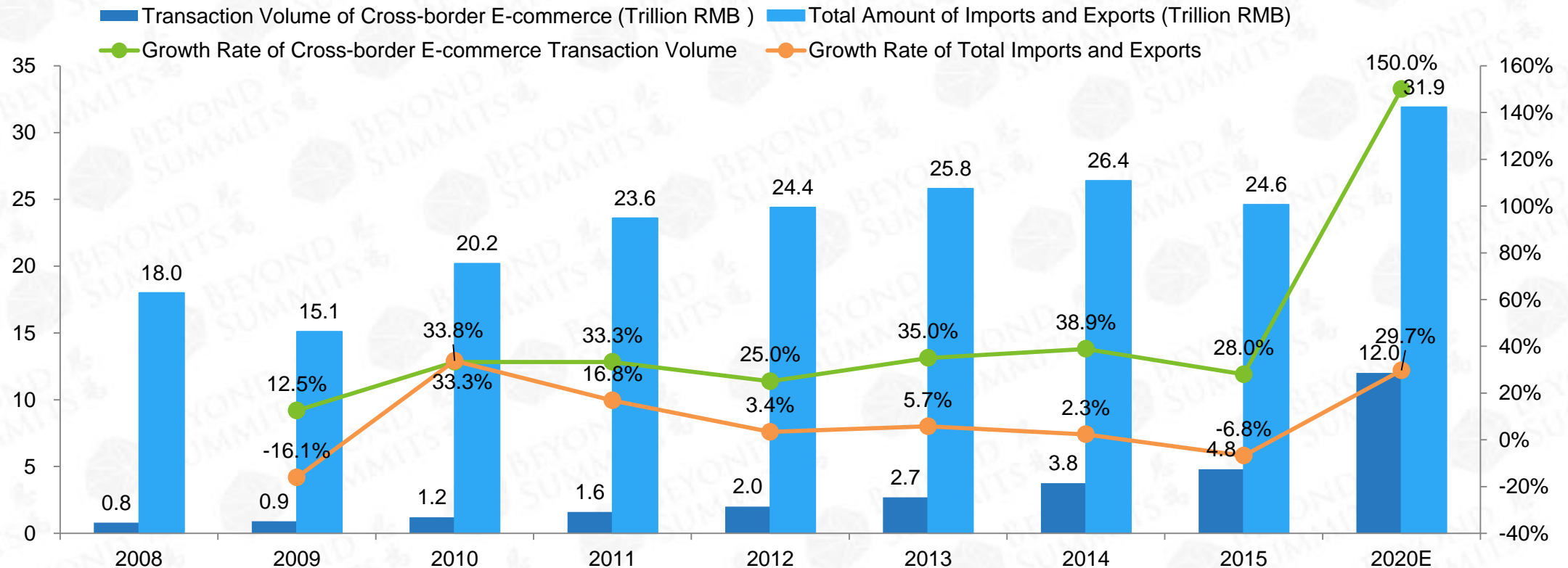
### China's Exports to Major Economies in 2015



Source : The General Administration of Customs

The growth rate of China's cross-border e-commerce has been higher than the total amount of imports and exports in spite of the slowdown of global trade, which means that the penetration of cross-border e-commerce in import and export trade has been very high.

### Transaction Volume of Cross-border E-commerce and Total Amount of Imports and Exports



Source : Ministry of Commerce, The General Administration of Customs, iResearch, Analysys, Aliresearch

## Four Strengths of China's Cross-border E-commerce

### Technical Progress

- The popularity and development of Internet, cloud computing, and intelligent terminal
- The optimization of payment and logistics system
- Consumers' demand for C2B/C2M boosted the large-scale production



### Industry Support

- The number of small and medium-sized enterprises focusing on foreign trade was about 5 million, occupying 60% of total imports and exports
- World-class technology and manufacturing



### Consumption Upgrade

- The number of online shopping users reached 448 million in 2015
- The number of middle-upper class families was estimated to be about 0.2 billion in 2020

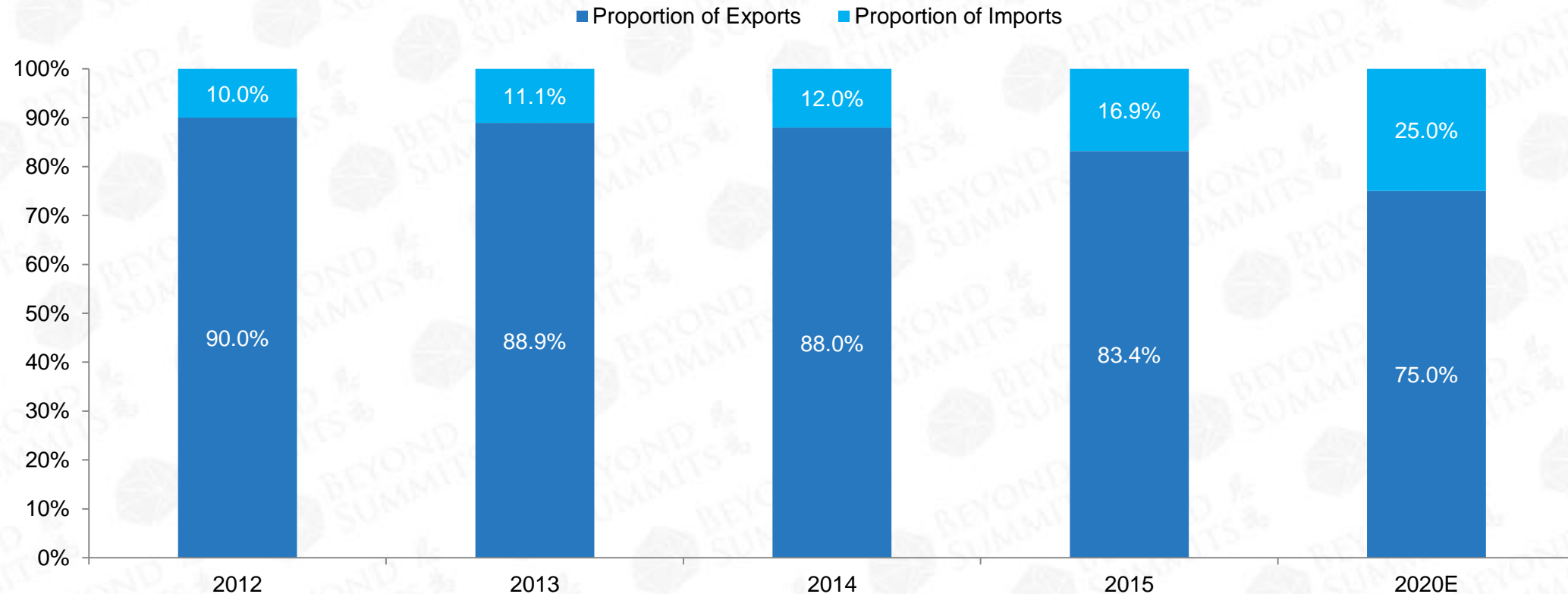


### Credit Guarantee

- Online deals guaranteed
- Good credit will, in turn, boost the deals

Exports have a higher proportion compared with imports in China's cross-border e-commerce, which was at 83.4%. It was estimated that the proportion of imports among the total cross-border trade would increase to 25% in 2020.

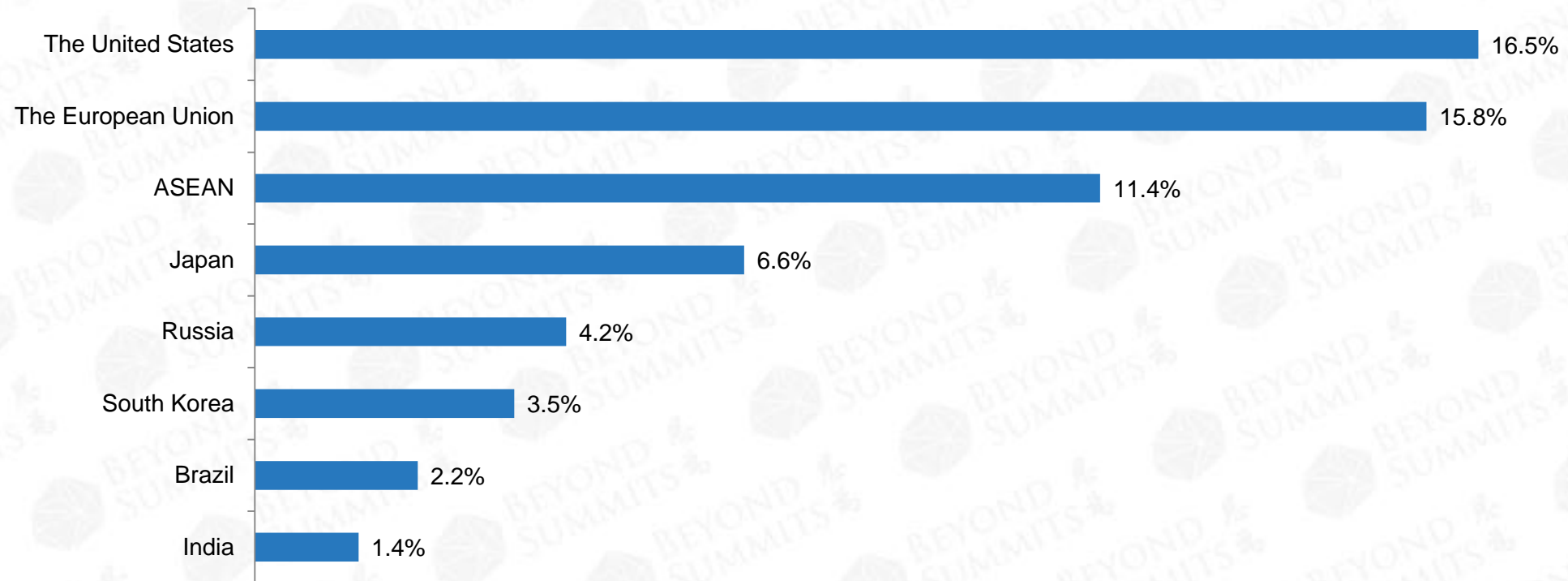
### The Ratio of Imports to Exports in China's Cross-border E-commerce



Source : Ministry of Commerce, The General Administration of Customs, iResearch, Analysys, Aliresearch

Among all destinations for China's exports in cross-border e-commerce, the United States ranked first in 2015, accounting for 16.5% of the total. The European Union and ASEAN were right behind US. However, the market share of some emerging markets increased sharply, including Russia, Brazil and India.

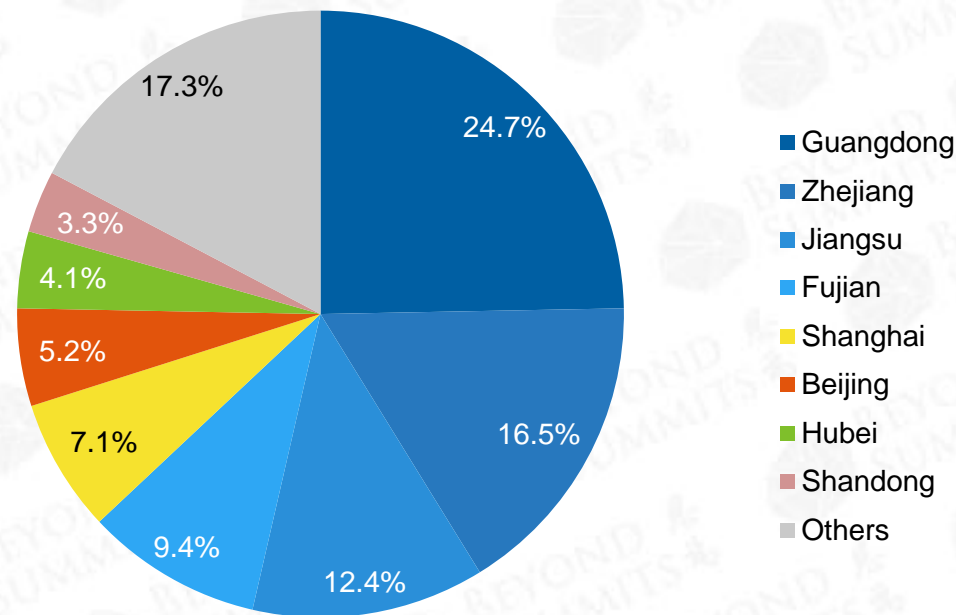
### Destinations for China's Exports in China's Cross-border E-commerce (2015)



Source : China E-commerce Research Center

Guangdong has gathered China's cross-border e-commerce exporters due to its strong economic foundation, a cluster of manufacturing bases, and foreign trade talents. Second to Guangdong was Yangtze River Delta Region, including Zhejiang and Jiangsu. This region was know for its highly developed light industry, including clothing, shoes, and household products.

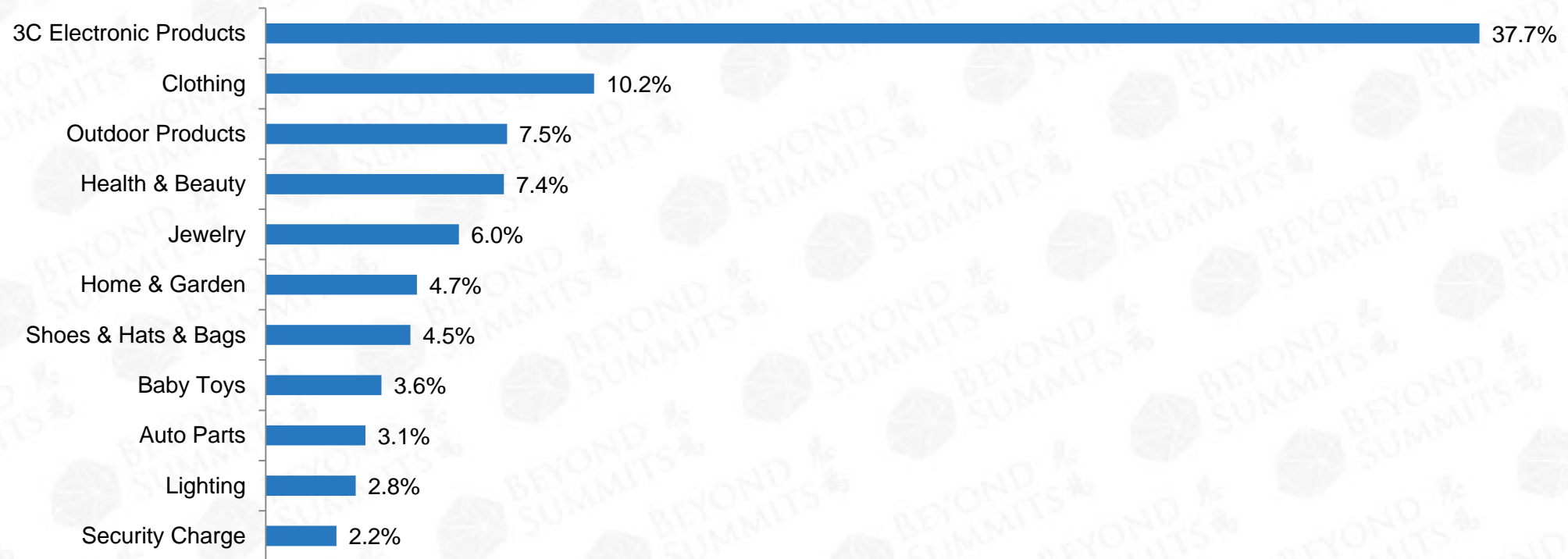
**Chinese Exporters in Cross-border E-commerce  
(2015)**



Source : China E-commerce Research Center

3C electronic products, clothing, and outdoor products dominated China's cross-border e-commerce exports in 2015, which was mainly due to its low costs and high standardization.

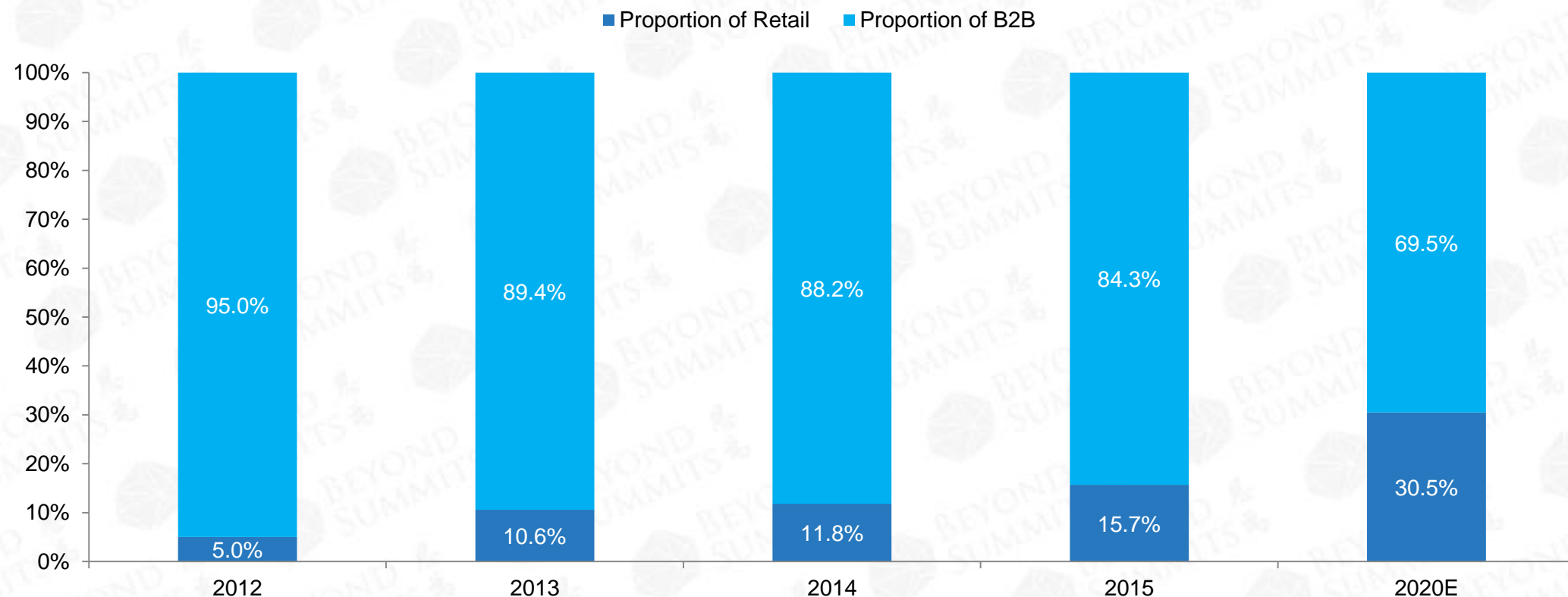
### Categories of China's Cross-border E-commerce Exports in 2015



Source : China E-commerce Research Center

China's cross-border e-commerce mainly focused on B2B business, accounting for 84.3% of the total in 2015. However, the retail business is booming, and is estimated to reach 30.5% in 2020.

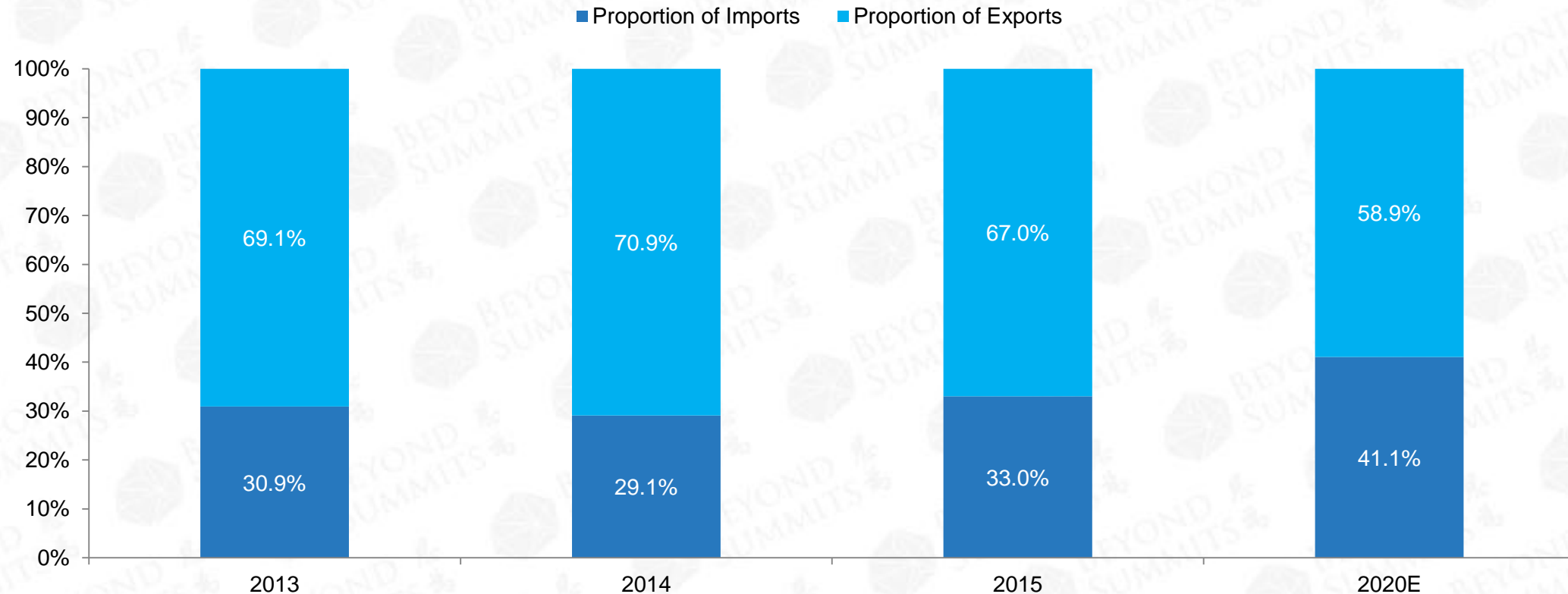
### The Sum of Retail and B2B in China's Cross-border E-commerce



Source : Ministry of Commerce, The General Administration of Customs, iResearch, Analysys, Aliresearch

In the retail business of China's cross-border e-commerce, the proportion of exports was higher than that of imports, yet showed a downturn trend.

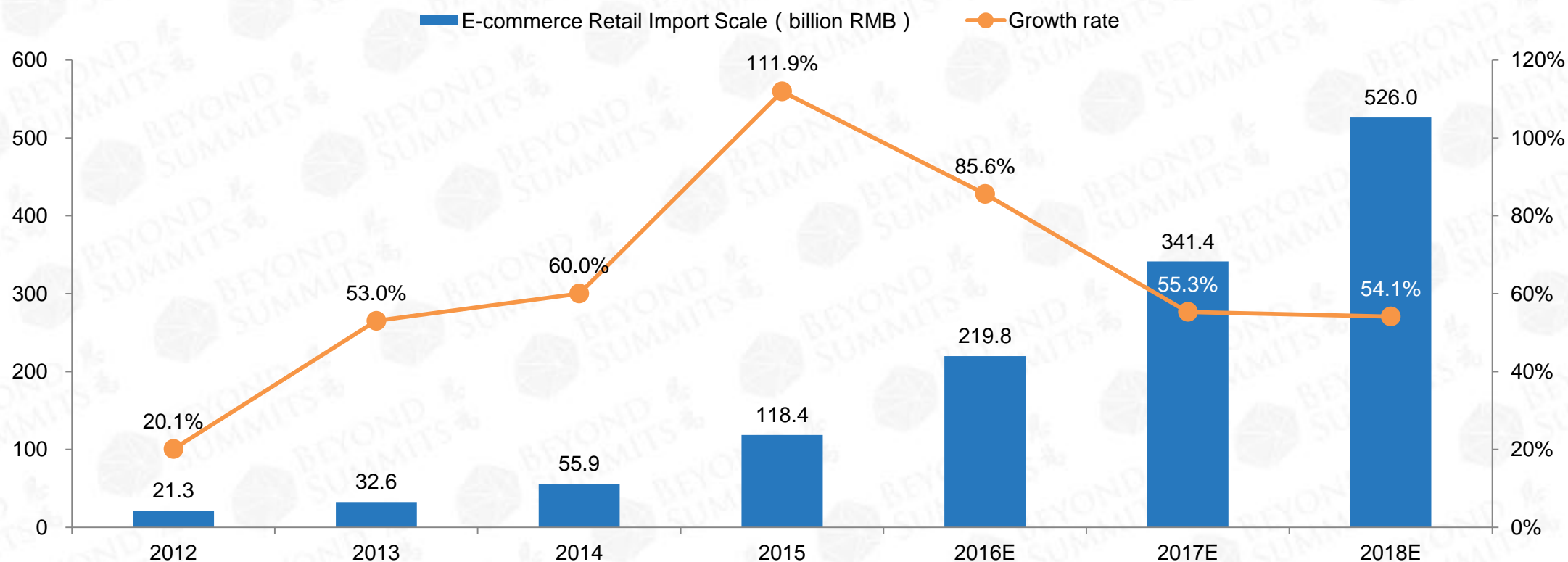
### Imports and Exports of China's Cross-border Retail E-commerce



Source : Ministry of Commerce, The General Administration of Customs, iResearch, Analysys, Aliresearch

With the announcement of the policy on the e-commerce retail imports in the second half of 2014, a large number of domestic e-commerce business and venture enterprises came into the retail market of e-commerce imports. It was estimated that the scale of e-commerce retail imports would maintain the growth at a certain rate, reaching CNY526 billion by 2018.

### The Scale and Growth Rate of China's E-commerce Retail Imports

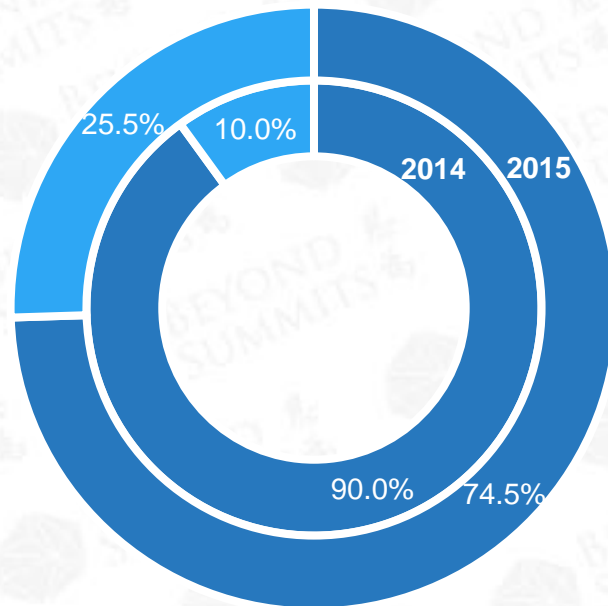


Source : iResearch

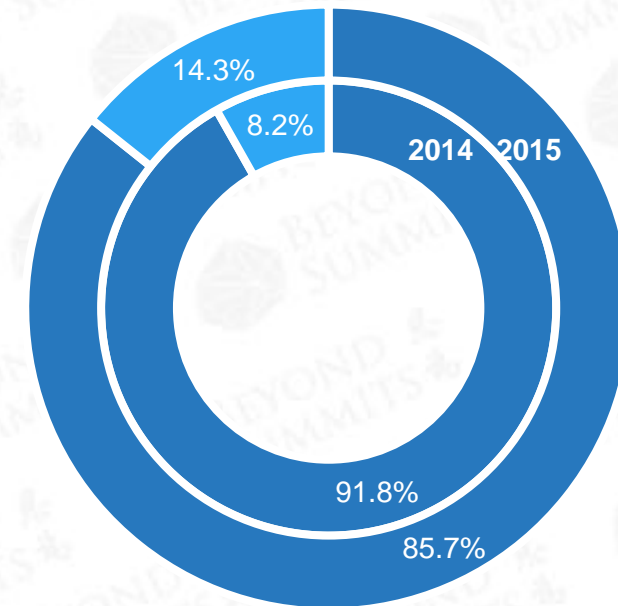
China's enterprises with e-commerce platform for imported goods accounted for larger proportion because of its early start-up. However, the market scale of self-support enterprises has expanded. Proportion of domestic e-commerce enterprises was much higher, while independent cross-border e-commerce enterprises have a trend to surge.

**Enterprise Structure of China's Import Retail E-commerce (2015)**

■ Proportion of Platform    ■ Proportion of Self-support



**Enterprise Category of China's Import Retail E-commerce (2015)**



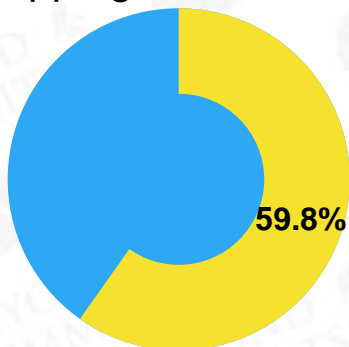
■ Proportion of Domestic E-commerce  
■ Proportion of Independent Cross-border E-commerce

Source : iResearch

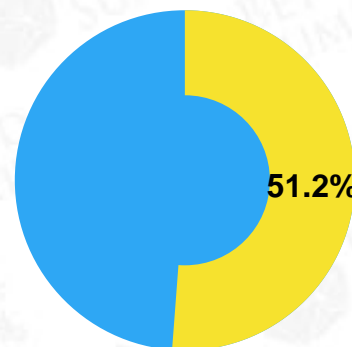
Internet users still need some guidance in cross-border online shopping, and guide websites were necessary for them to get to know about cross-border shopping websites.

### The Way Internet Users Get to Know about Cross-border Online Shopping in 2016

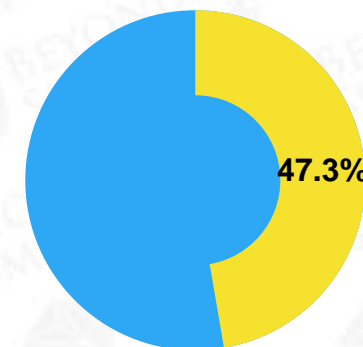
Shopping Guide Websites



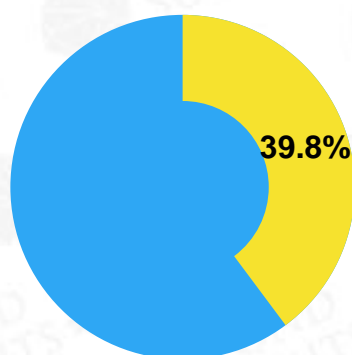
Recommended by Relatives or Friends



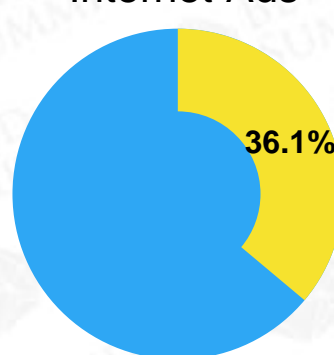
Online Searching



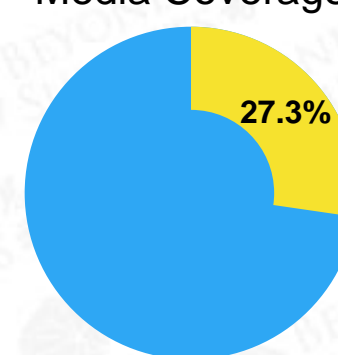
Social Media



Internet Ads



Media Coverage



Source : iResearch

Quality assurance, reasonable price, uniqueness of products, and preference for brands were the main reasons for users to choose cross-border online shopping in 2016.

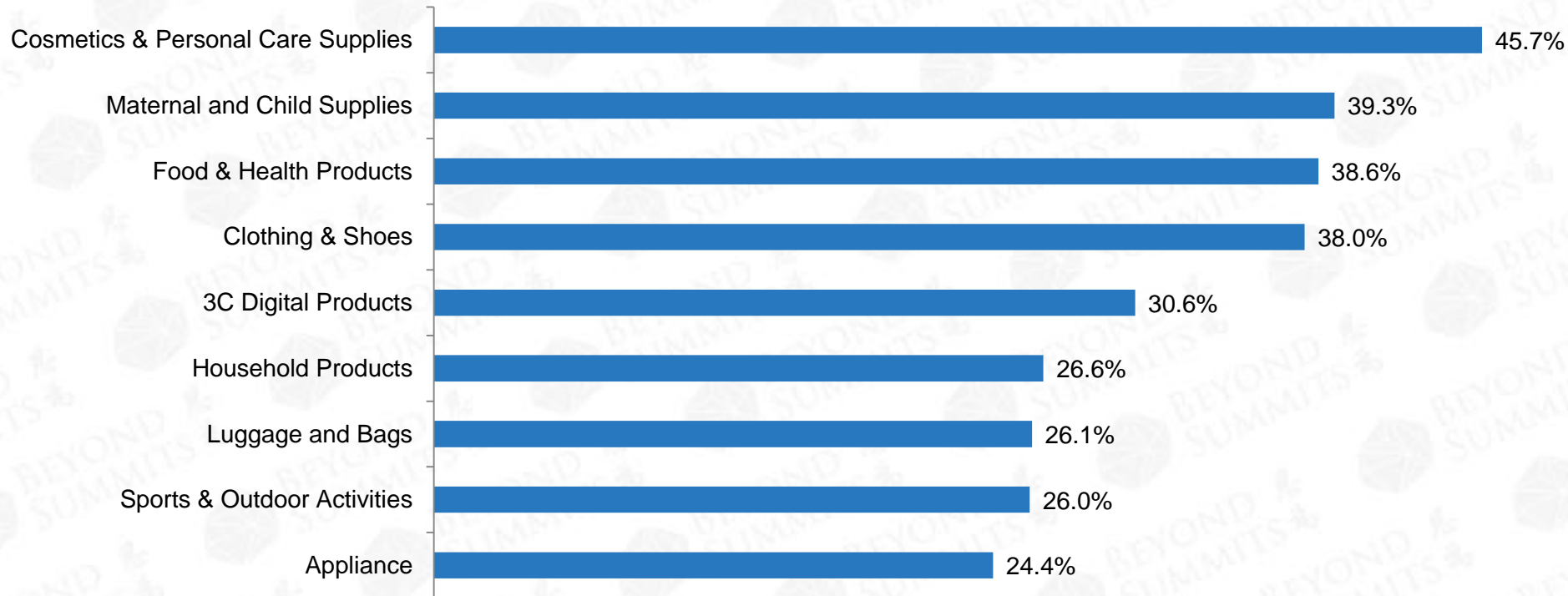
### Main Reasons for Cross-border Online Shopping in 2016



Source : iResearch

Internet users preferred to buy products that require high safety and quality in cross-border online shopping, such as cosmetics and personal care supplies, maternal and child supplies, food and health products.

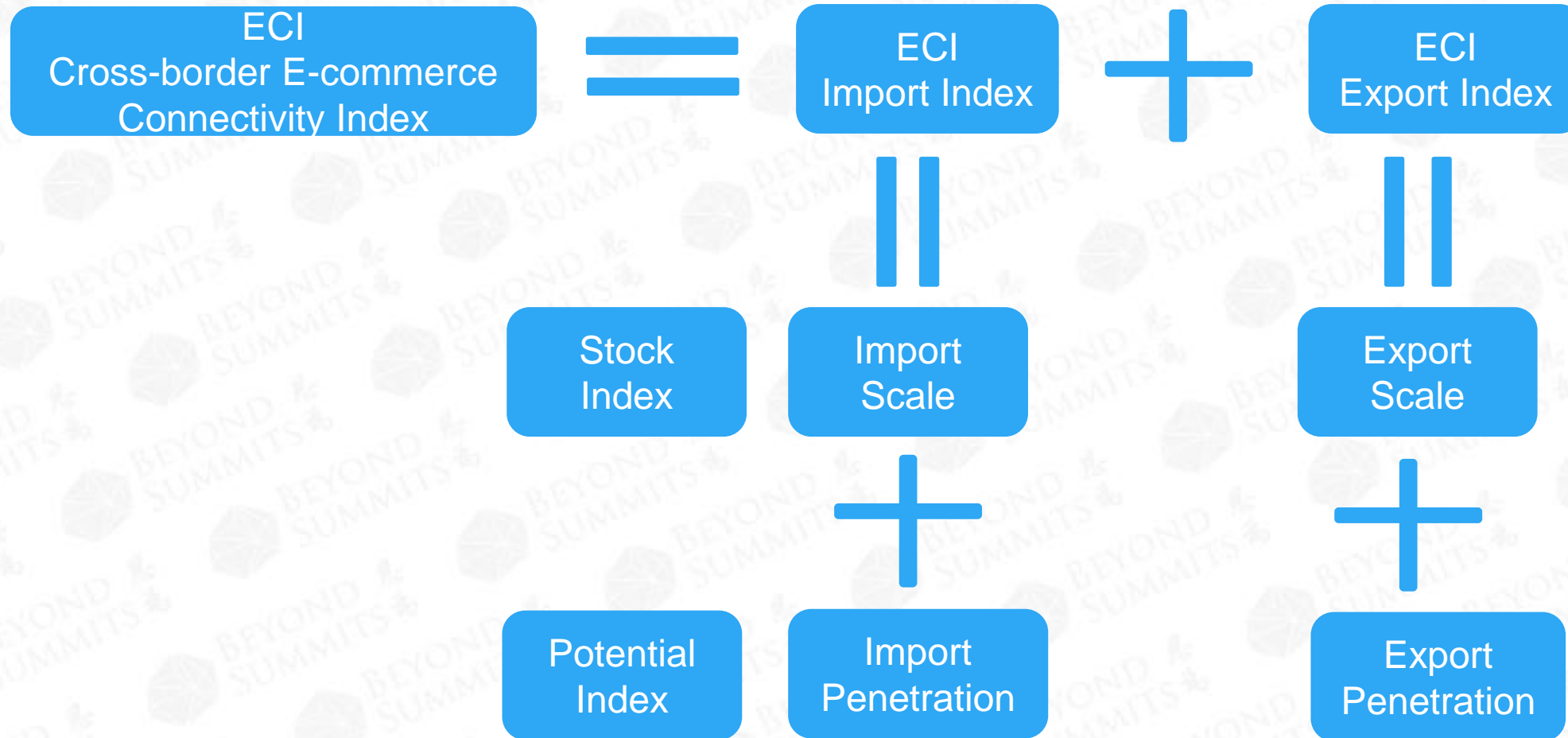
### Top 10 Categories on Cross-border Online Shopping in 2016



Source : iResearch

- ECI Index refers to the e-commerce connectivity index between China and other major economies, reflecting how closely China connects with other countries in cross-border e-commerce.
- Nowadays, G20 's trade value accounted for 80% of the world total, while the trade value between China and G20 accounted for more than 50% of China's imports and exports.
- G20 can be divided into three groups based on ECI value, including highly connected countries, moderately connected countries, and weakly connected countries.
  1. Highly connected countries mainly refer to the countries whose ECI index was higher than 40 with balanced import and export index. These countries have very frequent trade with China in cross-border e-commerce.
  2. Moderately connected countries mainly refer to the countries whose ECI index was between 21 and 40 with unbalanced import and export index. The trade between China and these countries was relatively frequent, and either the connectivity index of imports or that of exports was higher.
  3. Weakly connected countries mainly refer to the countries whose ECI index was 20 or below with lower index of both import and export, especially for import index. These countries had less trade with China in cross-border e-commerce.

## Calculating Method of ECI Index



## China's Cross-border E-commerce Connectivity Index with G20

G20 Countries	ECI Import Index	ECI Export Index	ECI Cross-border E-commerce Connectivity Index
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The United States	45	37	82
The UK	35	30	65
Australia	30	25	55
France	32	22	54
Italy	27	18	45
Japan	39	5	44
Canada	7	35	42
Germany	23	16	39
South Korea	25	7	32
Russia	1	31	32
India	1	30	31
Turkey	1	28	29
Brazil	1	22	23
South Africa	1	22	23
Mexico	0	13	13
Indonesia	1	12	13
Argentina	0	11	11
Saudi Arabia	0	3	3

Highly Connected Countries

Moderately Connected Countries

Weakly Connected Countries

Source : Aliresearch

Cross-border e-commerce B2B platform will upgrade from information platform to trading platform.

The service environment of cross-border e-commerce will enjoy a more prosperous outlook.



**Trend of Cross-border E-commerce**

Based on Internet and big data, cross-border retail e-commerce will develop into a new way of global trading together with B2B.

Cross-border e-commerce will drive the establishment of the new global trade rules and order in the Internet era.



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