

Opportunities and Challenges of Cross-Border E-Commerce Development Cooperation between China and Southeast Asian Countries—Based on the Perspective of the Entry into Force of RCEP

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Abstract: The development of information technology and changes in people's consumption patterns have led to the rapid growth of the global cross-border e-commerce market. The result of cross-border e-commerce between China and Southeast Asia has been outstanding. With the increasing importance of cross-border e-commerce in the foreign trade of each country, China and Southeast Asian countries have taken cross-border e-commerce as an essential element to promote the high-quality development of bilateral trade. At present, the Regional Comprehensive Economic Partnership Agreement (RCEP) has officially entered into force, providing new opportunities for the growth of cross-border e-commerce between China and Southeast Asia, which is not only conducive to unifying the rules and standards of the cross-border e-commerce market between China and Southeast Asia, helping China to improve the level of trade facilitation and optimise the supply chain system, but also providing institutional dividends for Chinese cross-border e-commerce enterprises to realise localised operations. At the same time, the development of cross-border e-commerce between China and Southeast Asian countries also faces a series of challenges, such as poor infrastructure, unified payment systems and a lack of cross-border e-commerce talent in Southeast Asian countries. In the future, it is necessary to strengthen the infrastructure construction in Southeast Asian countries, improve the cross-border payment system, train cross-border e-commerce talents and build cross-border e-commerce platforms to seize the development opportunities brought by the implementation of RCEP and achieve high-quality development of cross-border e-commerce between China and Southeast Asian countries.

Keywords: RCEP; China and Southeast Asian countries; cross-border e-commerce; cooperation and development

1. Introduction

Since the establishment of the strategic partnership between China and Southeast Asian countries in 2003, China has been actively developing and deepening economic and trade cooperation, with bilateral trade volume increasing 10.2 times from US\$78.2 billion in 2003 to US\$877.2 billion in 2021[1]. China and Southeast Asian countries have been each other's largest trading partners for two consecutive years in 2020 and 2021. With the development of information technology and changes in people's consumption patterns, China and Southeast Asian countries are cooperating in the field of e-commerce; thanks to China's rich experience in the development of cross-border e-commerce, the vast market potential of e-commerce in Southeast Asia and the substantial economic complementarity between China and Southeast Asian countries, cross-border e-commerce between China and Southeast Asian countries is developing rapidly. According to the "2021 Cross-border E-Commerce Development Report" published by Yibang Intelligence, about 1/4 of Chinese companies will enter the Southeast Asian e-commerce market to conduct cross-border e-commerce business in 2021, and bilateral cross-border e-commerce cooperation is developing rapidly. Against a significant contraction in global trade due to the New Crown epidemic, cross-border e-commerce between China and Southeast Asian countries has grown substantially, strengthening bilateral economic and trade relations and becoming a new engine to drive China-Southeast Asian trade development.

The Regional Comprehensive Economic Partnership Agreement (RCEP), initiated and led by ten

Southeast Asian countries, entered into force on January 1, 2022. In addition to traditional issues such as trade in goods, trade in services and dispute settlement, the RCEP has promoted tariff reduction, paperless business, protection of online consumer rights and establishing an e-commerce dialogue and dispute settlement mechanism among the contracting parties. The RCEP has effectively promoted the development of cross-border e-commerce among the agreement countries. Against the background of deepening cross-border e-commerce cooperation between China and Southeast Asian countries, the entry into force of RCEP has brought a series of opportunities for the development of cross-border e-commerce between China and Southeast Asian countries, such as lowering tax costs, weakening trade barriers and improving trade facilitation. Developing cross-border e-commerce between China and Southeast Asian countries also faces challenges. Therefore, how to seize the development opportunities brought about by the entry into the force of RCEP and effectively cope with the current challenges has become a critical issue that needs to be addressed in developing cross-border e-commerce between China and Southeast Asian countries.

2. Status and characteristics of development cooperation

2.1 Trade scale bucked the trend

The 2020 New Crown epidemic has significantly impacted global trade and commerce and people-to-people exchanges. Still, cross-border e-commerce has used the advantages of online transactions, non-contact delivery and short transaction chains to achieve counter-trend growth and become an essential force in stabilising global trade. China and Southeast Asian countries have strong economic complementarities and a common need for e-commerce development, so cross-border e-commerce has given new impetus to economic and trade cooperation between the two countries and according to the China E-Commerce Report 2020 released by the Ministry of Commerce, Southeast Asian member countries accounted for one-third of the top ten retail export destinations for China's cross-border e-commerce in 2020, with Malaysia, Singapore and the Philippines ranking in the top three, respectively. With the increased construction of the Southeast Asian countries economic community, smoother flow of resources in the region and further release of policy dividends, the attractiveness of the ASEAN unified market has continued to rise, making it an important export destination for China. According to the data of "The Development of Cross-border E-Commerce in "One Belt, One Road" from China-ASEAN Cooperation Experience", the growth of China's cross-border e-commerce exports to Southeast Asian countries reached 98.5% in the first half of 2022. Cross-border e-commerce contributed to the development of China-Southeast Asian countries' trade against the backdrop of the epidemic. Cross-border e-commerce has made an essential contribution to the growth of trade scale against the location of the epidemic.

2.2 Bilateral cooperation is deepening

In recent years, Southeast Asian countries have attached great importance to the construction of digital infrastructure and actively developed cross-border e-commerce. China and Southeast Asian countries have launched extensive practical cooperation in cross-border e-commerce. Since 2015, China and Southeast Asian countries have signed a protocol for the FTA upgrade negotiations, which includes cross-border e-commerce in the scope of FTA cooperation and has launched the construction of a cross-border e-commerce platform between China and Southeast Asian countries. In addition, China and Southeast Asian countries have also cooperated in e-commerce and Internet security and strengthened mechanisms and measures to protect consumer rights and interests. To promote bilateral cooperation in cross-border e-commerce, China has also deepened the construction of information ports between China and Southeast Asian countries and has established cross-border e-commerce industrial parks one after another. In addition, China has promoted a series of cooperation mechanisms, such as the China-ASEAN Expo and the China-ASEAN E-Commerce Summit, to create a mutually beneficial environment for e-commerce cooperation. To solve the problem of a shortage of cross-border e-commerce talents, China and Southeast Asian countries have adopted such means as training international students and introducing high-level overseas skills to train e-commerce professionals.

2.3 Increasingly active foreign investment

With the increasingly close cooperation in cross-border e-commerce between China and Southeast Asian countries, Chinese companies are gradually increasing their investment in the Southeast Asian

cross-border e-commerce market. This investment has covered several areas, such as logistics, cross-border e-commerce platforms and mobile payments. In terms of logistics, Chinese companies are bringing their mature management experience and advanced logistics technology to Southeast Asian countries and taking into account the differences in geography, infrastructure development and cultural customs of each country to create a localised express delivery network to provide efficient services to local consumers. Regarding cross-border e-commerce platforms, Chinese companies such as Alibaba, Tencent and Jingdong have already entered the Southeast Asian market through acquisition or investment. At the same time, Chinese payment institutions have also gained a foothold in the Southeast Asian cross-border payment market. These investments and cooperation will help Chinese companies to expand their cross-border e-commerce market and strengthen trade cooperation with Southeast Asian countries[2].

2.4 Strong complementarity of trade products

Trade cooperation between China and Southeast Asian countries has significantly progressed in cross-border e-commerce. China's demographic dividend has disappeared, leading to rising labour costs, while Southeast Asian countries have attracted China's low-end manufacturing industry with their low labour costs and preferential policies. At the same time, Southeast Asian countries have a high demand for high-value-added industrial products, especially 3C products, which have become one of the largest categories of Chinese exports to Southeast Asian countries. In addition, unique products such as make-up and beauty products, mother and child products, medicine and health care and tropical fruits are also popular among consumers in Southeast Asian countries and Chinese consumers[3]. With the growing improvement of communication infrastructure in Southeast Asian countries and the increased acceptance of new shopping models by young consumers, live streaming has become a new link between cross-border e-commerce in China and Southeast Asian countries, broadening the sales channels of local products. Against the global epidemic outbreak, the live-streaming format of the sales model has achieved hot sales on the platform of goods such as fragrant rice and durian from Southeast Asian countries, white coffee from Malaysia and mangoes from Cambodia. All these have laid a solid foundation for cross-border e-commerce cooperation between China and Southeast Asian countries.

3. Opportunities brought by opportunities brought by development cooperation

3.1 Harmonisation of rules and standards and reduction of trade barriers

With the entry into force of the RCEP agreement, the contracting parties have agreed on standards that not only provide detailed provisions on tariffs but also weaken non-tariff barriers such as technical barriers to trade, sanitary and phytosanitary measures and export restrictions. These provisions are conducive to harmonising rules and standards for cross-border e-commerce trade within the region between China and Southeast Asian countries and reduce the compliance risks cross-border e-commerce enterprises face. In terms of tariffs, after the RCEP came into effect, the final zero tariff ratio between China and Southeast Asian countries exceeded 90%, allowing cross-border e-commerce enterprises to use lower-cost raw materials and resource goods in the region for production, improving the price competitiveness of their products in the target market and the profit level of the enterprises. Regarding rules of origin, the intra-regional accumulation principle in the RCEP agreement provides for the most favourable tariff reductions and exemptions for member countries. Regarding sanitary and phytosanitary measures, the RCEP has improved intra-regional sanitary and regulatory measures and reduced the hindrance of sanitary and regulatory measures to trade cooperation among countries and unreasonable discrimination against RCEP member countries. Regarding standards, technical regulations and conformity assessment procedures, the RCEP encourages relevant agencies to strengthen information exchange and cooperation to reduce technical trade barriers. In short, these measures will facilitate more enterprises to enter the large market of cross-border e-commerce in China and Southeast Asian countries.

3.2 Simplify customs clearance procedures and enhance the level of facilitation

In recent years, China and Southeast Asian countries have been cooperating more and more closely in the digital economy, which has put forward higher requirements on the level of trade facilitation. With the harmonisation of the RCEP agreement, customs laws and regulations in the East Asia region have been harmonised in terms of electronic documents, cargo release times and customs clearance

procedures, resulting in shorter shipping times, more electronic customs declaration documents and more transparent policies and regulations for enterprises. The entry into force of the RCEP facilitates the promotion of paperless trade models for cross-border e-commerce by encouraging parties to submit online trade documents, promoting their recognition by other parties as equivalent to paper versions, and urging the interoperability and mutual recognition of electronic records among member countries to achieve maximum electronic requirements. In addition, RCEP requires Member States to use information technology for customs procedures that reduce the time taken to release goods and promotes the active development of new application information technology by Member States. Exporting member countries can submit all information at once through electronic means, while importing member countries can also process relevant details before the arrival of goods, aiming to release goods within six hours of arrival, reducing the redundancy of customs processes in member countries the region and improving trade facilitation.

3.3 Promote the flow of factors and optimise the supply chain system

The RCEP has created a unified and open market for China and Southeast Asian countries, facilitating the flow of factors, improving logistics and customs clearance efficiency, and optimising the cross-border e-commerce supply chain. The simplification of customs clearance procedures has eased the backlog of goods at ports and accelerated the trend of global supply chains moving east. China and Southeast Asian countries have complementary industrial structures, and the implementation of the RCEP is conducive to integrating industrial and supply chains, enhancing the resilience of supply chains and their ability to withstand external risks. The RCEP has promoted intra-regional trade liberalisation and investment liberalisation, facilitating the flow of goods, services, technology, talent, capital and data between China and Southeast Asian countries, further promoting mutually beneficial economic This will further promote mutually beneficial cooperation between the two economies.

3.4 Safeguarding consumer rights and Optimising the e-commerce environment

Protecting online consumers' legitimate rights and interests in cross-border e-commerce is crucial to establishing a good e-commerce environment. Although cross-border e-commerce brings consumers convenience and quality shopping experience, it also faces problems such as leakage of identity information and harassment of buyers. The RCEP provides for a range of provisions to protect the rights and interests of online consumers, including laws and regulations that severely punish unlawful practices, provide ways to protect the rights and interests of overseas consumers, and establish rules and regulations on the security of online consumer information. In addition, the RCEP encourages cross-border e-commerce partners to announce how online consumer information is protected and the specific protection process to promote the importance of protecting consumer rights and interests and building a healthy cross-border e-commerce industry ecosystem. These measures will help safeguard the legitimate rights and interests of consumers, enhance consumer confidence and satisfaction, and improve the overall development of the cross-border e-commerce industry.

3.5 Improve the degree of openness and layout of overseas warehouses

The implementation of RCEP is conducive to promoting the construction and operation of overseas warehouses in Southeast Asia, which can lower the costs of Chinese enterprises in building overseas warehouses in Southeast Asian countries by removing tariff barriers. RCEP also encourages investment, improves investment facilitation and reduces investment risks, and enterprises can build overseas warehouses together or rent overseas public warehouses to relieve capital pressure. These measures will help promote the construction of overseas warehouses in Southeast Asia and improve the localised services and consumer satisfaction of cross-border e-commerce.

4. Challenges arising from development cooperation

4.1 Southeast Asian country's logistics infrastructure is relatively backward

There are significant differences in logistics infrastructure among Southeast Asian countries. Singapore has the most complete logistics infrastructure, the most advanced road, railway, port and aviation infrastructure in Southeast Asia, and the most developed e-commerce market. Malaysia has recently emphasised and invested in transport infrastructure such as roads, railways, ports and airlines,

second only to Singapore. Indonesia and Brunei also have relatively well-developed logistics infrastructures. The construction of transport infrastructure in Thailand is highly uneven, and the development of logistics infrastructure in other Southeast Asian countries is relatively backward. Still, there is more room for growth.

4.2 Decentralization of cross-border e-commerce payment methods in Southeast Asian countries

Establishing an efficient and perfect cross-border e-commerce payment system is a critical issue that needs to be resolved for China-East Asia cross-border e-commerce. According to the Global Payments Report 2022, digital wallets/mobile wallets are the primary payment method for e-commerce in China, accounting for 83% of China's total e-commerce transactions in 2021. South East Asian countries are highly fragmented due to differences in economic development, resulting in a wide range of e-commerce payment methods. On a country-by-country basis, credit cards are Singapore's most popular e-commerce payment method, with a 42% usage rate, followed by digital wallets/mobile wallets at 29%. Bank transfers are a popular payment method for Thai and Malaysian e-commerce buyers, accounting for 37% and 30% of total e-commerce transactions, respectively, while digital wallets/mobile wallets are less frequently used than bank transfers, at 23% and 16%, respectively.

In contrast, digital wallets/mobile wallets are fast becoming the dominant payment method for consumers in Indonesia, the Philippines and Vietnam, with leading usage rates (see Table 1). This shows significant differences in e-commerce payment methods across South East Asian countries and that e-wallet usage is much lower than in China. The lack of uniformity in e-commerce payment methods will inevitably cause difficulties in payment and low payment efficiency, which will hinder the rapid and efficient development of cross-border e-commerce in China and Southeast Asian countries.

Table 1: E-commerce payment method for selected countries in South East Asia (Unit:%)

Ccountry	Digital wallet/ Mobile wallet	Bank transfer	Cash on delivery	Debit card	Credit card
Chnia	83	2	2	8	4
Malaysia	16	30	9	12	19
Vietnam	25	24	23	6	17
Philippin	31	14	21	11	16
Singapor	29	12	1	10	42
Thailand	23	37	15	19	12
Indonesi	39	23	14	7	10

Source: Based on data from the Global Payments Report 2022(<https://world-globa-lpaymentsreport.com>).

4.3 Southeast Asian countries lagging behind countries' cross-border e-commerce talent supply and demand imbalance

The development characteristics of the cross-border e-commerce industry require practitioners to combine theoretical and practical talents. However, most e-commerce graduates are rich in theoretical knowledge but need to improve in practical skills, making it challenging to meet the needs of cross-border e-commerce enterprises, resulting in an imbalance between the supply and demand of cross-border e-commerce talents. In the less developed countries of Southeast Asia, the lack of educational resources and the high cost of education are essential factors that hinder the training of cross-border e-commerce talents, limiting the development of cross-border e-commerce in Southeast Asian countries. Language restrictions are the primary barrier to cross-border e-commerce cooperation with ASEAN countries in China. Currently, Chinese cross-border e-commerce practitioners are strong in English but weak in minor languages, and there need to be more cross-border e-commerce talents skilled in applying minor languages. In addition, e-commerce trade with Southeast Asian countries requires an understanding of their customs, consumer preferences, laws, and regulations, raising the requirements for cross-border e-commerce talent. Therefore, there is an urgent need to cultivate composite cross-border e-commerce talents to provide talent support for the sustainable and high-quality development of cross-border e-commerce in China-Southeast Asian countries.

4.4 Cross-border e-commerce platforms are not yet unified

Due to the vast differences in customs, religious beliefs and traditional cultures among Southeast Asian countries, it is difficult for enterprises to integrate the historical and cultural backgrounds, consumer preferences and business habits of different countries to design and operate cross-border e-commerce platforms, resulting in a large number of local e-commerce platforms and fewer regional e-commerce platforms in Southeast Asian countries (see Table 2). Local e-commerce platforms cover many sectors, such as beauty, electronics and apparel. They are popular with local consumers, but the audience for these platforms is relatively narrow, and the e-commerce market can be exploited to a limited extent. The only regional cross-border e-commerce platforms are Lazada and Shopee, which operate in all Southeast Asian countries and reach approximately 500 million consumers. As the RCEP comes into force, the cross-border e-commerce markets of China and Southeast Asian countries will inevitably penetrate each other, which will require establishing a unified e-commerce platform for the China-Southeast Asian cross-border e-commerce market.

Table 2: Cross-border e-commerce platforms in China and key Southeast Asian countries

Category	Typical Platform
Regionale-commerce platforms	Shopee, Lazada
Local e-commerce platforms	China: Tmall, Jingdong
	Singapore: Qoo10, Castlery
	Malaysia: PG Mall, Zalora
	Cambodia: J-TAO, L192
	Indonesia: Bukalapak, Tokopedia
	Vietnam: Tiki, Sendo
	Brunei: Bruvera
Philippines: Beauty MNL, Galleon	

Source: Based on data from the Southeast Asia Cross Border E-Commerce Development Study 2022 (<https://www.zjepa.com.cn/detail/6246>).

5. Conclusion and suggestion

5.1 Promote the integration of logistics between China and Southeast Asian countries

To promote the development of cross-border e-commerce between China and Southeast Asian countries, it is necessary to strengthen infrastructure construction and overseas warehouses. Regarding infrastructure, the PPP model can be given full play to improve the structure of road transport channels and promote the interconnection of railway, sea and air transport to enhance the efficiency of logistics and transportation. In terms of overseas warehouse construction, diversified construction methods can be explored, including large enterprises building independent warehouses in Southeast Asian countries, small and medium-sized enterprises choosing overseas public warehouses or co-construction with local governments and third-party logistics enterprises, as well as using new technologies and professional teams to improve comprehensive service functions. These initiatives will help raise cross-border e-commerce cooperation between China and Southeast Asian countries and promote sustainable development.

5.2 Improving the cross-border e-commerce payment system

First, establish a unified third-party payment system between China and Southeast Asian countries to improve the efficiency of cross-border payments. Pilot work can be carried out first to banks in China and Southeast Asia willing to do so, and gradually open this cross-border payment system to banks in all RCEP member countries. At the same time, cross-border e-commerce enterprises in Southeast Asian countries are encouraged to use RMB as a unified payment currency to reduce the risk of cross-border payment disputes and international exchange rate fluctuations. Second, improve the credit mechanism for cross-border payments by establishing a public platform for cross-border e-commerce credit services, entering enterprise credit information into the platform system and updating it promptly according to the cross-border payment activities of enterprises. Open up the platform's

services, such as credit data enquiry and credit rating of cross-border e-commerce enterprises, to facilitate enterprises' selection of trade partners and reduce payment risks. The government should develop specific standards for credit statistics and evaluation indicators to provide a unified credit evaluation of cross-border e-commerce enterprises[4].

5.3 Accelerate the training of cross-border e-commerce composite talents

Developing cross-border e-commerce in China and Southeast Asian countries requires high-end composite talents with small language skills, e-commerce operation skills and knowledge of both countries history, culture and laws and regulations. To this end, cross-border e-commerce talents can be nurtured through the collaboration of cross-border e-commerce experts and scholars from both sides, enterprises and universities. Experts and scholars can visit local universities to conduct lectures and practical teaching, add trim language specialisation options and incorporate relevant courses. Enterprises can work with universities to provide internship positions to improve students' practical skills[5]. At the same time, professional training should also be provided to employees of cross-border e-commerce enterprises regularly, and attention should be paid to policy changes in target countries to ensure the continued and stable development of internal cross-border e-commerce talent. These measures can promote talent exchanges between the two sides in the Middle East, improve the quality and efficiency of talent training, and provide talent support for the sustainable development of cross-border e-commerce.

5.4 Building a Unified China-Southeast Asian countries cross-border e-commerce platform

The development of cross-border e-commerce between China and Southeast Asian countries needs to improve the training of talents and market operation capabilities. It is necessary to cultivate high-end composite talents with both small language skills, e-commerce operation skills, and knowledge of both countries history, culture and laws and regulations. At the same time, cross-border e-commerce platforms should be precise in their market positioning, recruit localised operation teams, analyse the market characteristics of Southeast Asian countries, write product names and details in a way preferred by consumers in each country, and improve the shopping experience for consumers. Conduct regular consumer research to understand their needs and tendencies, design corresponding operation methods according to their characteristics, and close the distance with them. In addition, it is essential to improve the platform's after-sales service capabilities, adopt return and exchange shipping insurance services, and rationalise the layout of overseas warehouses and after-sales service outlets to reduce the waiting time and logistics costs for consumers to return and exchange goods. These initiatives can promote cross-border e-commerce cooperation between China and Southeast Asian countries, improving both sides' market competitiveness and economic interests.

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