

Research on the Development Status and Strategy of Cross-border E-commerce in Guangdong Province

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Abstract: The initial development of cross-border e-commerce in China occurred in Guangdong province, and developed very rapidly in recent years. This paper studies the present situation of cross-border e-commerce in Guangdong province and analyzes the problems, such as the lower requirements for market access, high logistics costs, the lower efficiency industrial chain digital transformation and upgrading process, the lack and of proficient and talents in operation area, and lower efficiency of customs clearance, consequently acquires the solutions to promote the development of cross-border e-commerce in Guangdong province.

Keywords: Cross-border e-commerce, finance, scale, sustainable development

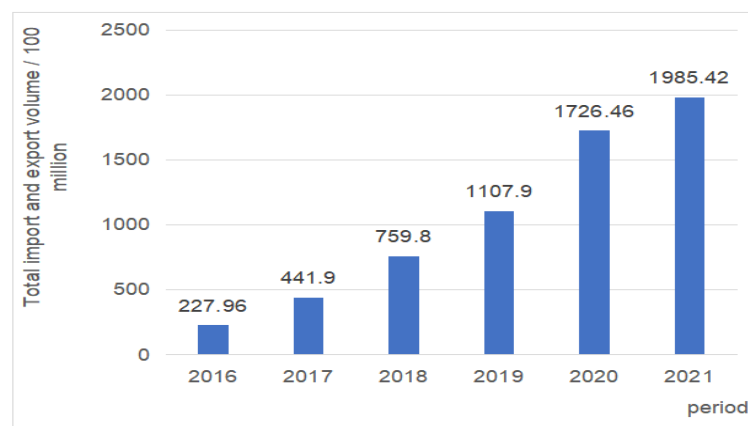
1. Development status of cross-border e-commerce in Guangdong Province

1.1. Scale of cross-border e-commerce in Guangdong Province

The development of cross-border e-commerce in Guangdong province has been a new growth point of foreign trade, and its scale has been ranked first in China. Due to the industrial cluster effect, the number of cross-border e-commerce companies in Guangdong province accounts for more than 70% of the total in China.

1.1.1. The Total import and export volume of cross-border e-commerce increased progressively

According to the data from the General Administration of Customs of China on January 14, 2022, the total import and export volume of cross-border e-commerce in Guangdong province continued to grow from 2016 to 2021, ranking first in China for six consecutive years, as shown in Figure 1.



Data Sources: General Administration of Customs, China

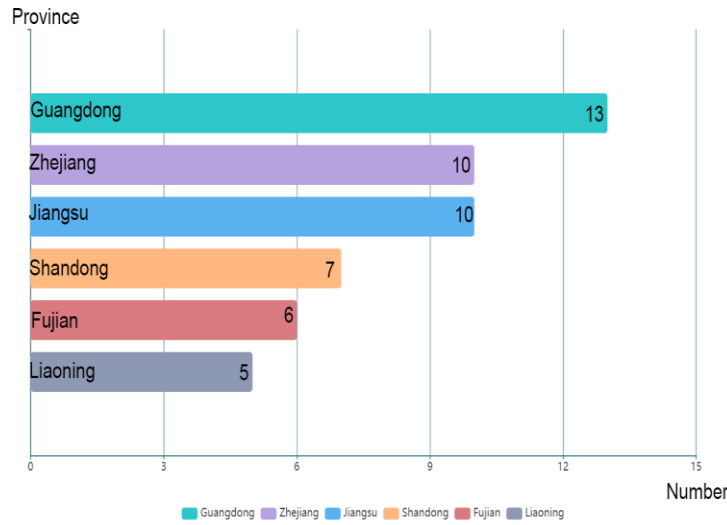
Figure 1: Total import and export volume of cross-border e-commerce in Guangdong Province from 2016-2020

As shown in Figure 1. Despite the impact of COVID-19, cross-border e-commerce in Guangdong province is growing progressively. In 2021, the total import and export volume of China's cross-border e-commerce reached 1.985 trillion yuan, increased by 15% compared with the same period last year.

1.1.2. The amount of cross-border e-commerce comprehensive experimental zones increased

According to the cross-border e-commerce location theory and the location value impact analysis model, the comprehensive experimental zones is a breakthrough of promoting international trade

liberalization and is becoming an important growth pole of foreign trade in Guangdong Province gradually. The distribution of major cross-border e-commerce comprehensive experimental zones in China, as shown in Figure 2.



Data sources: Qianzhan Industry Research Institute collation

Figure 2: Distribution of major cross-border e-commerce comprehensive experimental zones in China

As shown in figure 2, the number of Guangdong cross-border e-commerce comprehensive experimental zones ranked first. The total amount of domestic cross-border e-commerce comprehensive experimental zones is 105, including 13 in Guangdong province, respectively located in Guangzhou, Shenzhen, Dongguan, Shantou, Zhuhai, Foshan, Meizhou, Huizhou, Zhongshan, Jiangmen, Zhanjiang, Maoming, Zhaoqing, as shown in figure 3.



Figure 3: Distribution map of the 13 cross-border e-commerce comprehensive zones in Guangdong Province

1.1.3. A large number of cross-border e-commerce enterprises in Guangdong Province

According to the data compiled by Qianzhan Industry Research Institute, the number of cross-border e-commerce enterprises in Guangdong province ranked first in 2021, about 380,000, accounting for 67.93% of the total number of cross-border e-commerce enterprises in China.

1.2. Export status of cross-border e-commerce in Guangdong Province

1.2.1. Cross-border e-commerce transactions dominated by exports

At present, China's cross-border e-commerce transactions are still dominated by exports, but the proportion of imports also shows an increasing trend year by year. In 2019, the export transaction scale of cross-border e-commerce in Guangdong province was 74.16 billion yuan, accounting for 66.94% of the total import and export value.

According to the Guangdong Branch of the General Administration of Customs, in 2020, Guangdong's import and export scale ranked first in China, accounting for 22% of the country. Meanwhile, cross-border e-commerce export increased by 0.2%, which has been growing for four consecutive years, and the scale has reached a record high.

1.2.2. Main export countries of cross-border e-commerce in Guangdong Province

The main export countries of cross-border e-commerce in Guangdong province are developed countries and regions, such as Europe and the United States. The network environment in these countries is relatively good, and the number of online shoppers is also higher than that in other regions. At present, countries such as South Korea and India have also become the target countries for cross-border e-commerce in Guangdong. With more than 10 countries and regions in South America, which is also an emerging market for cross-border e-commerce in Guangdong Province. Local e-commerce in Southeast Asia is developing well, and Guangdong cross-border e-commerce has entered the Southeast Asian market, take Alibaba as an example.

1.3. Financing status of cross-border e-commerce in Guangdong Province

According to the 2020 China cross-border e-commerce financing data report and industry investment and financing events statistical analysis, in 2019, the number of cross-border e-commerce financing events in China reached 29, from the perspective of regional distribution, the majority of investment and financing activities occurred in coastal areas, Guangdong is the most active one, only in 2020 the number of cross-border e-commerce financing events in China is 33, among them 12 occurred in Guangdong and its financing amount reached 7.09 billion yuan. Two of the top three companies were Shenzhen's Xingyun Group and KK Group, which up to \$200 million and 1 billion yuan, respectively.

1.4. Industrial diversification of cross-border e-commerce in Guangdong Province



Source: National Bureau of Statistics

Figure 4: Ten pillar industries and ten emerging industries in Guangdong Province

Guangdong's cross-border e-commerce industry covers a wide range, including not only light industries such as textile and clothing, food and beverage, but also heavy industries such as automation and machinery. The pillar industries and the emerging industries in Guangdong province are shown in Figure 4.

As can be seen from Figure 4, the new generation of electronic information products ranked first. The epidemic in 2020 provides an opportunity for cross-border e-commerce in the electronics industry and develops more rapidly.

1.5. Cross-border logistics in Guangdong Province has developed rapidly

At present, cross-border logistics in Guangdong province are the following modes, direct mail mode, bonded mode and overseas warehouse mode. Direct mail mode is divided into domestic express mode and international express mode.

The international express delivery model is monopolized by the four major commercial express delivery giants, namely DHL, FEDEX, UPS and TNT. These international couriers use their IT systems and global localization services to bring a quality customer experience to online shoppers, but expensive.

Domestic direct mail mode mainly refers to SF Express, EMS, YTO, STO, ZTO and Yunda. In terms of cross-border logistics, YTO started early. For example, YTO only cooperated with CJ Korea Express in April 2014, and American STO was launched in April 2014, while ZTO, HTO and Yunda have just started cross-border logistics. EMS international service is perfect, and the price is lower than that of international giants, while SF Express is more mature, which is commonly used in cross-border logistics in Guangdong Province.

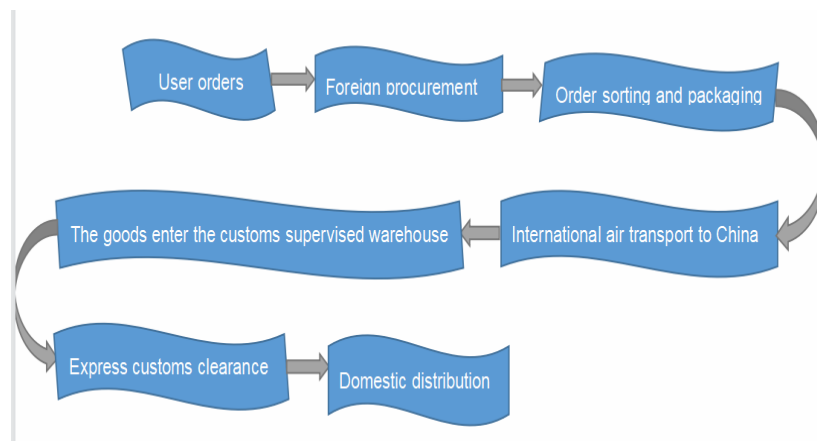


Figure 5: Logistics flow chart of direct mail mode

The bonded mode is cooperated by the customs and logistics companies to sell the goods provided by merchants in the bonded area, sort and package them according to customers' orders, and clear the customs in the form of individual buyers. It is a popular logistics mode in recent years and is more suitable for imports. But this model occupies more capital, is bound to cause the lack of product diversity. Overseas warehouse mode, domestic businesses through the logistics information system, remote operation of overseas warehouse goods, real-time inventory management. There are businesses specializing in cross-border logistics overseas warehouses, such as Yangmei Overseas Warehouse Service (Shenzhen) Co., LTD., Guangdong Overseas Warehouse Supply Chain Co., LTD., Shenzhen Yuntu Overseas Warehouse International Logistics Co., LTD., etc.

2. Problems existing in the development of cross-border e-commerce in Guangdong Province

2.1 The low entry threshold of cross-border e-commerce leads to the lack of trust

Cross-border e-commerce in Guangdong province has developed rapidly, but due to the low entry qualification limit of e-commerce, the low threshold is easy to cause the lack of trust. For instance, the authority changed the audit procedure to a simple mode, so some low reputation companies entered into the industry. Their profit-seeking behavior leads the low quality products entered, and even

smuggled cross-border e-commerce companies appeared.

2.2. Cross-border logistics costs are high

Although the geographical distance restrictions have been weakened in cross-border e-commerce trade, logistics costs still affect its development. Cross-border e-commerce relies on international logistics, and international logistics transportation cost is very high, increased the cost of sales, some companies are actively looking for new methods, such as establishing overseas warehouse, but this is not suitable for every enterprise. The current bonded zone mode reduces the logistics cost, but the accurate estimation of the inventory is a difficult problem. A long-term storage will also increase the inventory cost. And the cost of increasing the inventory is to increase the logistics cost. Consumers pursue faster services, which requires cross-border e-commerce for continuous innovation, and innovation also needs to increase logistics costs. In short, reducing logistics costs is one of the problems need to be solved.

2.3. Lack of talents in cross-border e-commerce operation

According to the 2021 Talent Situation of the Foreign Trade Industry Research Report , the talents demand for cross-border e-commerce operation mainly comes from Guangdong province, accounting for 51.6% of the whole country, while Shenzhen alone accounted for 36.2%.

At present, cross-border e-commerce operation needs different types of compound talents, who are familiar with management, store operation, product operation, supplier operation management, brand publicity and other talents. All kinds of talents should have trading experience, rich product knowledge and excellent in foreign language, such as potential demand analysis ability on overseas market, project management ability, understanding of overseas consumers and culture, market insight, selection ability, problems and emergency rapid response ability, transnational cross-departmental communication, coordination and negotiation ability, etc.

The cross-border e-commerce courses taught in universities are not mature, and students cannot combined theory with reality. In recent years, cross-border e-commerce has developed too rapidly, and school education has failed to keep up with the development of cross-border e-commerce, and failed to cultivate compound talents. Some small and medium-sized cross-border e-commerce enterprises cannot attract such talents, leading to a particularly large gap of compound talents in Guangdong Province.

2.4. The lower digital transformation of industrial chain

Most of the cross-border e-commerce transactions in Guangdong province are of high frequency and small amount, at present, the efficiency of logistics and inspection and other links is still low. Take Longgang District of Shenzhen as an example, its cross-border e-commerce transaction volume has reached 14% of the total foreign trade in Shenzhen. According to Shenzhen Post, Longgang District exports about 4 million daily cross-border direct mail parcels, accounting for about 60 percent of Shenzhen's total. Due to the slow digital transformation process of local cross-border e-commerce, the efficiency of all links is not high. For example, some of them have to go to Shenzhen Airport or even Guangzhou and other surrounding cities for customs clearance, which increases the cost.

2.5. Low efficiency in cross-border settlement

At present, most small and medium-sized enterprises in Guangdong province are looking for foreign buyers and consumers through e-commerce platforms such as Amazon, Lanting Jizhi and Alibaba. Most of the goods are exported through the aviation and postal system, which are not recorded into the regulatory system in the customs, leading to the normal foreign exchange write-off. In addition, cross-border e-commerce enterprises in Guangdong province will enjoy no more than 10 percent of their export tax rebates.

Online cross-border payment is not perfect, and the coverage of foreign online payment is not wide. For example, in the transaction settlement with Russia, its settlement system takes a long time, which affects the capital withdrawal of cross-border operating enterprises.

There are also cross-border e-commerce companies in overseas collection, and overseas settlement institutions have to charge a certain amount of fees, which further reduces the meager profits of small and medium-sized enterprises in cross-border e-commerce. Today, with the rapid development of

cross-border e-commerce, low-cost foreign exchange settlement is one of the important factors to promote the development of small and medium-sized cross-border e-commerce enterprises in Guangdong Province.

3. Countermeasures to promote cross-border e-commerce in Guangdong Province

3.1. Raise the entry threshold for cross-border e-commerce and strengthen legal supervision

At the initial stage of cross-border e-commerce development, the entry threshold is very low, as long as the minimum declaration requirements can be met. This loose entry policy in the initial stage provided great convenience for cross-border e-commerce. At present, the entry threshold of the platform is still very low, so the government departments should cooperate with the platform to establish a complete e-commerce credit investigation system. It is best to use new technologies, for instance, adopting blockchain and big data and other technologies to build the whole network credit investigation system.

The development of cross-border e-commerce needs the laws and regulations. It can refer to foreign laws and regulations and further improve the actual situation. At the same time, strengthen legal supervision, implement laws and regulations, eliminate trust-breaking cross-border e-commerce, and keep the good reputation of cross-border e-commerce in Guangdong province.

3.2. Reduce the logistics costs of cross-border e-commerce

The logistics cost of cross-border e-commerce can be reduced. Guangdong province can establish several more bonded zones, so that more enterprises can enjoy license exemption, tax exemption and bonded policies, which can further promote the development of logistics in Guangdong province and reduce the cost of imported cross-border e-commerce. At the same time, enterprises should be supported to establish overseas warehouses, adjust sales orders by supervising the quantity of goods in overseas warehouses, allocate the sales of domestic goods, shorten the time of transportation, and reduce the cost of cross-border e-commerce. Small and medium-sized cross-border e-commerce companies without overseas warehouses can obtain reasonable logistics prices through negotiations with suitable logistics companies, and take advantages of the promotion and preferential policies of logistics companies.

With the development of cross-border electricity, international trade appeared "mediation", then "mediation", so can encourage from the policy and tax to establish some professional overseas warehouse company, provide reasonable service for domestic enterprises, which can reduce the logistics cost without overseas warehouse of small and medium-sized enterprises.

3.3. Cultivate compound talents who are familiar with cross-border e-commerce

The talent training of cross-border e-commerce should not only rely on universities and higher vocational colleges, but also pay attention to the practical operation in enterprises. In the teaching of cross-border e-commerce, colleges and universities should provide students with a practice platform, while taking into account economic and trade, language, business, computer, management and logistics, so that students can build a knowledge system of cross-border e-commerce. In terms of language training, attention should be paid to foreign language education, which is significant in foreign trade. We should cultivate students proficient in two languages, namely English and a small language. Only in this way can we provide the needed talents for cross-border e-commerce. Strengthen school-enterprise cooperation, enterprises provide internship bases for schools, thus can implement order-type education mode, from virtual simulation teaching to true operation, offer opportunities for students to participate in sales and customer service work. For long-term development, cross-border e-commerce enterprises should also have their own talent training mechanism.

3.4. Improve the efficiency of logistics and commercial inspection and customs declaration

To improve the efficiency of all links of cross-border e-commerce in Guangdong Province, you can learn from Hangzhou Cross-border E-commerce Industrial Park, establish convenient measures such as "centralized declaration, centralized inspection and centralized release" in the park, establish the "Internet + customs" mode in the park, operate on the Internet as far as possible, and accelerate the

process of digital transformation and upgrading. It is suggested that the Guangdong 1 government should establish more cross-border e-commerce industrial parks, and try to implement “one-stop management” to improve the efficiency of customs clearance. There are many cross-border e-commerce enterprises in Guangdong region, so it is necessary to establish convenient measures in various urban areas and towns.

3.5. Establish a third-party cross-border e-commerce foreign exchange settlement platform

Third-party cross-border payment platforms can help merchants solve many problems in cross-border e-commerce transactions, such as technical support, legal barriers and language communication, so it can facilitate merchants to quickly withdraw funds. At the same time, the government will evaluate and supervise the credit and capacity of the third-party platform, and ensure the time for the third-party platform to withdraw money to the domestic personal bank account after the foreign exchange settlement, so as to ensure the virtuous cycle of funds.

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