

# Current Status and Reflection on Cross-border E-commerce Development between China's Zhejiang Province and Russia in the Digital Economy

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**Abstract:** With the great change of current situation in the world, the Internet digital technology is developing rapidly. In keeping with the trend, China has actively explored the new modes of economic trade and international cooperation, advocated the integration of the digital economy with the Belt and Road Initiative and planned the construction of the Digital Silk Road. As the most important trading partner of China in digital services, Russia and China have maintained the close exchanges in the field of cross-border e-commerce. Taking the development status of cross-border e-commerce in China's Zhejiang Province and Russia as the starting point, this paper briefly describes some thoughts of Zhejiang province on deepening the development of cross-border e-commerce in Russia in the digital economy.

**Keywords:** Digital Economy; Cross-border e-commerce; Zhejiang; Russia

## 1. Instruction

The growth of traditional trade in China has been influenced by the global epidemic of COVID-19, the major changes in the balance of international economic power, the comparison of economic globalization and the slowdown of international market demand. As a new business mode of international trade and an organic component of digital trade, the cross-border e-commerce has been continuously improved and standardized in its rapid development, which helps to become a powerful foundation for the high-quality development of the foreign trade in China. In 2022, the import and export of cross-border e-commerce in China reached 2.1 trillion yuan, and it made the breakthrough of 2 trillion yuan for the first time. In 2022, the year-on-year growth rate of cross-border e-commerce exports in Zhejiang Province exceeded 20%, which was higher than the national average. On June 17th, a series of data were released at the International Cross-border e-commerce Innovation and Development Forum, as shown in Table 1.

Table 1: Main Indicators of the Top 10 e-commerce Markets in the World (as of 2022)

Ranking	Country	Population (billion)	Internet Penetration	Real GDP Per Capita (USD 10 thousand)	The Scale of E-commerce Market (USD 100 million)	Proportion of E-commerce to GDP (%)
1	China	14.2	73	1.3	21350	11.7
2	America	3.4	91	7.5	9160	3.7
3	Japan	1.2	90	3.4	2000	4.7
4	Britain	0.7	95	4.7	1720	5.4
5	Germany	0.8	91	4.8	1280	3.2
6	Korea	0.5	98	3.4	1210	7.0
7	France	0.7	86	4.2	940	3.4
8	India	14.2	43	0.3	850	2.4
9	Russia	1.4	88	1.5	840	3.9
10	Indonesia	2.8	62	0.5	590	4.6

Data source: Data Insight, public data collection

From Table 1, it can be seen that the cross-border e-commerce in China is developing rapidly, and it keeps releasing the advantages and potential of "buying and selling globally", and more and more consumers around the world enjoy more choices and convenience brought by the cross-border

e-commerce. Chen Jian, the Deputy Director of the cross-border E-commerce Comprehensive Test Office of Hangzhou Municipal Bureau of Commerce (Free Trade Commission), suggested that to develop the cross-border e-commerce, we shall adopt the ecological concepts and methods to promote the innovation and development of the industry, vigorously improve the construction of digital trade channels, enhance the deep cooperation between the Chinese and overseas markets, and gradually develop the brand mode. Meanwhile, we shall also pay attention to the mode innovation.

## **2. Digital Economy and The Belt and Road**

### ***2.1 Concept and development history of digital economy***

Digital economy is an economy depending on the digital technology, which is closely related to the development of Internet technology. Under the new round of technological revolution and industrial transformation, the digital economy has been developed as a new form of economy. Taking the digital information as the key resource, the Internet platform as the information carrier, the digital technology innovation as the driving force, and a series of new modes and new formats as the manifestation, the digital economy has a significant impact on the adjustment of industrial structure, changes of production and lifestyle and the overall economic development situation of the society as well as promoting a more unified fairness and efficiency, which is a new economic and social form to realize the efficiency improvement and structural optimization<sup>[1]</sup>. On the basis of a large amount of information data, the digital economy takes the data as the main production factor and makes use of the information assets generated by technological analysis and processing as capital to explore the potential consumer's demand. The information technology helps to break down the barriers of traditional mode, integrate the innovation, improve the economic ecology, and cut down the communication costs of the existing economic entities<sup>[2]</sup>.

The concept and development process of the digital economy can be divided into three stages. The first stage refers to the preliminary exploration. In the 1990s, with the gradual involvement and application of the Internet in social life, the new business mode brought about by the development of the Internet and the business value it carries drew the attention and discussion of the academic community. The old economic concept failed to make a proper explanation of the new changes in the economic mode. In 1996, Tapscott officially proposed the concept of "digital economy" in his book "The Digital Economy". The second stage is the concept expansion. In 2009, the UK released the "Digital Britain" plan, and "digitalization" was first mentioned in the national policies. The government policies came to support the development of the digital economy, and its conceptual connotation was expanded with the intervention of national power. The third stage is the final formation. In recent years, the digital economy has been known as a new economic form and has played an important role in the national strategic deployment. Since the 18th National Congress of the Communist Party of China, the Party Central Committee has attached great importance to the development of the digital economy and elevated it to a national strategy. The concept of digital economy, as stated in the G20 Ministerial Statement on Trade and Digital Economy adopted at the 2016 G20 Hangzhou Summit, is currently recognized as the definition of digital economy. Now, to promote high-quality economic development, the government is committed to enhancing the integration of digital economy and real economy, accelerating the optimization and adjustment of industrial structure, and building a digital China and a smart society.

### ***2.2 New opportunities for the development of the Digital Silk Road***

That China put forward the "the Belt and Road" initiative in 2013 marks a new period of promotion for China's foreign cooperation and foreign strategy. As the pillar of the geopolitical pattern of the Eurasian continent and China's largest neighbor, Russia takes up the core position in the "the Belt and Road" initiative, and cooperates with China to actively expand the cooperation of "the Belt and Road". Therefore, the "Digital Silk Road" can be regarded as an organic combination of digital economic development and the "the Belt and Road" initiative. Relying on the Internet technology in China, it promotes the construction of digital infrastructure on the basis of the cross-border e-commerce, which helps to enhance the establishment of cooperation mechanisms<sup>[3]</sup>.

In 2019, Russia and other countries along the "the Belt and Road" signed a memorandum of understanding on cooperation in the construction of the "Digital Silk Road" with China to jointly build the BRICS Digital Economy Partnership Framework. In 2022, China and Russia held the cloud

conference of China-Russia Digital Economy Summit Forum with the theme of "openness, innovation, integration, and driving the digital future". At the same time, China and Russia continued to implement the The Roadmap for High-Quality Development of Sino-Russian Trade in Goods and Services and the Joint Commission for the Implementation of the Agreement on Economic and Trade Cooperation between China and the EAEU and Its Member States, offering the new opportunities for the development of the "Digital Silk Road". In recent years, the import and export trade between China and Russia has grown rapidly, and the scale of digital transactions between the two countries is large and keeps increasing. According to the data released by the Ministry of Commerce, the trade volume between China and Russia reached USD 190.271 billion in 2022 with a year-on-year increase of 29.3%, and the bilateral trade volume reached a new high. In January 2022, nearly three-quarters of Russia's cross-border e-commerce trade volume came from China. China and Russia are jointly committed to the development of the digital economy, expanding cooperation areas, and deepening cooperation and innovation in the field of science and technology. Huawei known as a Chinese company helps Russia develop and build 5G networks, strengthen the cooperation in emerging industries, enhance the energy partnerships, and jointly develop the "Digital Silk Road" to address the unknown challenges. After the outbreak of the Russia-Ukraine conflict, the western countries collectively imposed the large-scale sanctions on Russia, forcing Russia to transfer more foreign trade cooperation to the Chinese market. At the end of 2022, Russia proposed simplifying the customs clearance process for the goods on railway and road between China and Russia to promote the bilateral trade. The adjustment of Russia's export policy to China has further stimulated the commodity trade between China and Russia, aroused the enthusiasm in cross-border e-commerce, deepened and expanded the bilateral economic and trade cooperation, and promoted the development of digital trade between the two countries.

### **3. Development History of Cross-border E-commerce between China's Zhejiang Province and Russia**

#### ***3.1 Development history and current status of cross-border e-commerce in Zhejiang Province***

Zhejiang Province is located in the southeast coastal area of China, with developed economy, rich ports and shipping resources and more than 100 ports. Airports and some civil military airports in the province can undertake a large number of air logistics. The private express industry has developed rapidly with complete e-commerce supporting facilities, and the Internet development plays a leading role in the China. It lays the good foundation for the development of cross-border e-commerce<sup>[4]</sup>.

In 2012, Hangzhou and Ningbo in Zhejiang Province were approved as the first pilot cities for the cross-border e-commerce in China. In 2015, the State Council established the first cross-border e-commerce comprehensive pilot zone in Hangzhou, China. In 2022, Zhejiang achieved full coverage of cross-border e-commerce pilot zones across the province. In addition to the support from the nation, Zhejiang Province has also introduced many supporting measures to regulate and support the development of cross-border e-commerce, which include issuing and implementing the country's first high-quality development action plan for cross-border e-commerce, and formulating the country's first provincial-level comprehensive evaluation method; Introducing the first provincial-level policy for cultivating the independent cross-border e-commerce brands in China, and compiling a list of major reform breakthroughs in cross-border e-commerce in Zhejiang Province; Implementing the e-commerce into Ten Thousand Villages Project and developing the rural e-commerce; Taking the lead in formulating industry standards for live streaming e-commerce and promoting the construction of five "batches"; Releasing the first local regulation of the E-commerce Regulations in Zhejiang Province, China to regulate the online transactions. Currently, the e-commerce industry in Zhejiang Province has realized significant achievements, with a total of 34 national comprehensive demonstration counties for e-commerce in rural areas, 10 national e-commerce demonstration bases, and 8 national digital commerce enterprises.

In recent years, the total export trade volume of Zhejiang Province has gradually increased year by year, and e-commerce has developed steadily. However, a series of problems have arisen, such as the small proportion of service industry trade exports in the tertiary industry, the overall scale of service trade being small, and the weak export competitiveness in the trade. It is urgent to optimize and upgrade the export trade structure and change the mode of economic growth; The processing trade industry shall also shift from the order based production of processing with supplied materials to the development of digital technology combined with traditional industries; The negative list of cross-border e-commerce products and the enterprise access system shall be improved as well, the

regulatory system is incomplete, and the market entities are uneven in quality; The cross-border e-commerce in Zhejiang Province is short for professional talents and the mid-high end compound cross-border e-commerce talents; The small and medium-sized enterprises play a dominant role in the development of cross-border e-commerce in Zhejiang Province. The application level of cross-border e-commerce by enterprises is low, and many small and micro enterprises fail to gain the support of funding, talent and other aspects. There is no long-term promising plan for the development of e-commerce; As the international trade protectionism is popular, the trade among the countries is hindered and restricted<sup>[5]</sup>.

### **3.2 Development of cross-border e-commerce between China's Zhejiang Province and Russia**

According to the data from the first quarter of 2016, the cross-border e-commerce transaction volume in Russia was about 70 billion rubles, of which nearly half arose from the platforms of Chinese cross-border e-commerce. Zhejiang's e-commerce exports to Russia amounted to 330 million yuan with a year-on-year increase of 7.2 times. Russia has become the second largest export destination for Zhejiang's cross-border e-commerce and the fastest-growing market for the cross-border e-commerce exports in China. During the 2017 World E-commerce Conference, LGOR Subow, Chairman of the Russian Cross-border E-commerce Association, stated that 30% of Russia's cross-border e-commerce consumption came from China. On November 17, 2020, the seventh meeting of the Sino-Russia Investment Cooperation Committee was held, which encouraged the cooperation among the enterprises of the two countries in the fields like the digital economy, and promoted e-commerce as a new growth point in Sino-Russian economic and trade cooperation. In 2022, to actively respond to the impact of global epidemic changes and promote the personalized docking between the domestic enterprises and international markets, China's Zhejiang Province and Russia carried out several trade exchange activities, combining online and offline forms to help the enterprises in Zhejiang carry out e-commerce applications and digital marketing, and promote the development of cross-border e-commerce between the two countries.

#### **(1) 2022 Zhejiang Export Online Fair (Russia)**

In 2022, the 2022 Zhejiang Export Online Fair (Russia) hosted by the Zhejiang Provincial Department of Commerce was a great success. This Fair involved different industries and was divided into 5 sessions: Fabric and Accessories Session, Safety and Fire Protection Session, Toys and Children's Session, Down Jacket Session, and Pharmaceutical and Medical Session. With the help of the cloud exhibition platform of the global digital trade, the conference applied the mobile Internet technology and video display to try to overcome the time and space restrictions of the traditional offline exhibitions and build a platform for cooperation and exchange among the enterprises and Russian buyers. In addition to live streaming displays and online negotiations on the platform in the Fair, the organizers actively met the buyer's purchasing requirements and arranged the staff to assist the adapted supplier enterprises in conducting the additional one-on-one video negotiation activities, which greatly increased the possibility of successful orders and improved the procurement efficiency.

#### **(2) 2022 Zhejiang International Trade Exhibition (Russia)**

The 2022 Zhejiang International Trade Exhibition (Russia) and the 2022 ECWATECH was held at Expocentre Fairgrounds in Moscow, Russia from September 13 to 15, 2022. The participating companies were the enterprises of environmental protection equipment in Zhejiang, specializing in air pollution control equipment, water pollution control equipment and solid waste treatment equipment. During the exhibition, different kinds of products displayed were favored by the Russian market with great cooperation intentions. This group exhibition provided the new business opportunities for Zhejiang enterprises in Russia and surrounding areas, demonstrated the power of "Made in Zhejiang", helped Zhejiang environmental protection enterprises establish the overseas brand image, offered great support for promoting the cooperation between China and Russia, facilitating the international trade, exploring the demand of international market, bringing about the new business opportunities, promoting the "Quality Zhejiang Goods" brand, and enhancing the international impact of Zhejiang enterprises.

#### **(3) Enterprise group of Cixi, Zhejiang flew to Russia**

At the end of 2022, the business personnel and key leaders from the Russian-Ningbo Commerce Association and the home appliance and textile industries in Cixi, and Ningbo flew to Russia to attend the annual exhibition ceremony of the Russian-China (Ningbo) Commodity Fair. They conducted the survey on the local markets for the products of home appliances, textiles and auto parts, and held the

supply negotiations with the shopping malls and supermarkets to help the enterprises seize the opportunities and get the orders, which laid the foundation for expanding the foreign trade exports in the future and promoting the development of trade between China's Zhejiang Province and Russia.

#### (4) 2022 Zhejiang Digital Overseas Cross-border E-commerce Online Summit

On June 10, 2022, the 2022 Zhejiang Digital Cross-border E-commerce Online Summit with the theme of "Rising in Qiantang and Creating the Future Together" was held as scheduled, jointly initiated by Amazon Global Store, Department of Commerce of Zhejiang Province and different cross-border industry associations and institutional enterprises. The Summit focused on the digital trade and the development of the digital economy, exploring the new opportunities and challenges faced by the development of cross-border e-commerce, and promoting the foreign trade industry to seek the high-quality development in new formats and forms.

### **4. Inspiration from China's Zhejiang Province on Deepening the Development of Cross-border E-commerce in Russia**

#### ***4.1 The government: Strengthen the guidance for the development of cross-border e-commerce and provide the policy support and guarantees***

The government and the relevant departments shall actively implement the strategy of "innovation driven" development, keep deepening the "the Belt and Road" initiative, increase the publicity of the advantages of digital economy and cross-border e-commerce in international trade, and adhere to the policy innovation to provide the policy support and preferential measures for the relevant enterprises. Specifically, it includes organizing friendly exchanges and business negotiations between cross-border e-commerce operating enterprises within the province and domestic and foreign cross-border e-commerce platforms, holding the expos, seminars and other activities of cross-border e-commerce, creating the platforms for the development of cross-border e-commerce, and increasing the brand promotion in the e-commerce industry in Zhejiang Province; Taking the advantage of government regulatory functions, improving the laws and regulations of cross-border e-commerce, establishing a sound market credit supervision system, complete the negative list of cross-border e-commerce products and enterprise access system, and providing the institutional guarantees for the development of e-commerce; Reasonably planing the distribution of industries, cultivating the cross-border e-commerce parks according to the local conditions, promoting the industrial agglomeration and development, and creating a favorable environment for the development of cross-border e-commerce<sup>[6]</sup>.

#### ***4.2 Enterprise: Accumulate the experience in cross-border e-commerce development and increase the publicity***

The enterprises shall figure out their own development direction, combine with the historical background, make use of the policy advantages and preferential measures, and increase the investment in cross-border e-commerce; Actively explore the domestic and foreign markets, accumulate the trade experience, develop the products that meet the consumer's requirements, improve the service quality, and enhance the user experience; By making use of the advantages of the development of light industry in Zhejiang, it shall accelerate the upgrading of the industrial structure through e-commerce, strengthen the product technology development and enhance the product competitiveness; Making use of the platforms of cross-border e-commerce at home and abroad and utilizing the technological means to expand sales channels will help to increase the promotion of the "Quality Zhejiang Goods" product brand and enhance the popularity of "Made in Zhejiang".

#### ***4.3 Talents: Cultivate the intermediate and advanced talents in cross-border e-commerce***

The universities shall strengthen the communication with enterprises, deeply understand the actual requirements of enterprises and the market, cultivate the comprehensive and versatile talents in the fields of foreign languages, cross-border e-commerce and international network marketing, carry out the professional courses in cross-border e-commerce, establish the talent training bases of cross-border e-commerce in the form of industry education integration, and jointly cultivate the middle and high-level e-commerce talents between universities and enterprises to meet the growing demand for high-quality cross-border e-commerce development in Zhejiang. For example, Zhejiang International Studies University established the School of International business, Entrepreneurship School in April

2016, focusing on satisfying the demand of the economic and social development of Zhejiang and the Yangtze River Delta region, cultivating the international comprehensive applied talents who have a systematic command of the basic theoretical methods of cross-border e-commerce, proficient in foreign languages, and are capable of operating the cross-border e-commerce platforms and network marketing.

## 5. Conclusion

As a new economic form, the digital economy is committed to capitalizing the value of data information relying on the Internet platform so as to promote the adjustment and upgrading of industrial structure. In the context of the "the Belt and Road" initiative and the digital economy, the "Digital Silk Road" closely connects the countries along the road in the form of digital trade services. As one of the earliest regions in China to engage in cross-border e-commerce, Zhejiang Province has formed close connection with Russia in cross-border e-commerce trade, greatly promoting the growth of economic and trade cooperation between China and Russia and stimulating the development of cross-border e-commerce industries in both countries. With the support of the digital economy and the "the Belt and Road" initiative, China and Russia will continue to strengthen the economic and social exchanges and cooperation in cross-border e-commerce trade in the future, enhance the high-quality modern development of the economies in two countries, promote the establishment of new international relations, and help to build a Community with a Shared Future for Mankind.

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