

# **Problems and Countermeasures of Cross-border E-commerce Development under the "Belt and Road" Initiative**

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**Abstract:** Thanks to the launch of the "Belt and Road" initiative, cross-border e-commerce has made considerable progress all over the world, manifested not only by the increasing trust of foreign consumers in online shopping, but also by the growth against trend of many domestic trading enterprises with the help of the "Belt and Road" initiative even in unlucky 2020. Starting from the current situation of cross-border e-commerce development under the "Belt and Road" initiative, this paper discusses the problems that cross-border e-commerce encounters in the current situation and proposes the corresponding strategies.

In 2013, China first proposed to the international community the "Belt and Road" initiative (BRI), including the "Silk Road Economic Belt" and the "Marine Silk Road in the 21st Century", which serves not only an invitation from China to the world, but also a new attempt to reflect on the disadvantages of current globalization and win-win economic development model with cooperation after the 2008 economic crisis. The 21st century is an era of technological leap, when cross-border e-commerce has almost become the mainstream form of contemporary global trade.

## **1. Development Status of Cross-border E-commerce under the BRI**

In recent years, the amount of cross-border e-commerce trade in China has grown steadily. According to the latest data from the Refinitiv BRI database, 3,164 BRI projects have been planned or under construction as of the first quarter of 2020, totaling \$4 trillion, including 1,590 projects for a total amount of \$1.9 trillion, and the remaining 1,574 are listed as projects in which China participates, totaling \$2.1 trillion [1]. Nevertheless, in the face of technological advances and changes in the external environment, cross-border e-commerce practitioners still face enormous challenges, especially the turmoil caused by the COVID-19 outbreak in 2020 which has almost disrupted the global market. In view of the various problems in the current cross-border e-commerce development, it is imperative to develop a new strategy in an all-round way.

## **2. Problems Faced by the Development of Cross-border E-commerce Enterprises under the BRI**

### **2.1 Imperfect laws and regulations and difficult mutual certification**

As the prominent feature of cross-border e-commerce is the commercial trade across national entities, it will trade between different countries and face different local laws and regulations. Countries along the Belt and Road span the Eurasian continent with laws varying greatly according to different cultures and customs, but there is no universal national platform to solve all cross-border trade problems. The virtual nature of cross-border e-commerce also poses challenges to domestic laws, as traditional laws focus more on the real economy, so laws related to taxation, consumer rights and interests protection and consumer privacy protection cannot well deal with the various issues that arise in the current cross-border e-commerce trade. In addition, difficulties of mutual certification also occur between different business entities. In order to ensure the quality of goods, various countries and regions will issue some commodity standards, which are often not

universal. At present, some large e-commerce companies are trying to break through the commodity standards of different countries. However, for the general cross-border e-commerce subject, different standards often represent complicated procedures and long waiting time. Therefore, in this case, business entities often choose to bypass standards or sell a variety of goods after entering the market, but after that, some troubles and misunderstandings may arise, which is not conducive to the normal and orderly development of cross-border e-commerce. For example, in the dividend stage of cross-border e-commerce epidemic prevention products at the beginning of the year, many Chinese epidemic prevention materials were rejected by the other party when they were exported, which almost caused international conflicts. In fact, the 3C certification required for Chinese products, PSE certification for Japanese products, CE certification of the European Union and FCC certification standards of the United States were difficult to be mutually accepted and recognized, resulting in the failure of relevant enterprises in the target countries to endorse the products that did not pass the standard certification.

## **2.2 Large capital demand and difficult financing**

According to statistics, the long-term comprehensive capital cost of Chinese enterprises is maintained at 10%-15%, which is 3-5 times higher than that of developed countries such as Singapore, indicating that expensive and difficult financing is always a major problem that troubles the development of enterprises. However, due to the special nature of light assets of cross-border e-commerce enterprises, credit lines are lower and financing is more difficult. Unlike domestic e-commerce, the nature of cross-border trade of cross-border e-commerce determines that enterprises must consider issues such as goods warehousing, turnover, customs clearance and delivery, as well as real problems such as long time of money recovery, large amount of funds occupied, long liquidity cycle, etc. Therefore, there is still a large demand for financing.

## **2.3 Low-end export commodities and lack of professionals**

Most of cross-border e-commerce enterprises in China mainly export various household supplies, clothing, toys and other low-cost and uncompetitive goods, and are loved for their low prices in the international market. However, with the continuous increase in China's labor costs, low-price strategy has become an important factor hindering the development of cross-border e-commerce in China. At the same time, the scale of cross-border e-commerce in China has gradually expanded in recent years, but the number and professional quality of relevant practitioners cannot match it.

## **2.4 Low efficiency and high cost of logistics and poor international service**

The overseas logistics of cross-border e-commerce specifically includes warehouse storage, goods transportation, customs inspection, goods delivery and many other links, which are not covered by a through bill of freight. Besides, it is not possible to query the detailed transportation progress by a single order number in the system in real time, resulting in the delay of logistics information. Cross border e-commerce enterprises are facing difficulties such as low efficiency, high cost and difficulty in goods return and exchange of overseas logistics. Specifically, in terms of logistics transportation cost, the common overseas logistics channels of cross-border e-commerce in China include China Post Parcel Service, Continental General Express International Transport Business, Dedicated Line Goods Distribution and Foreign Warehouses. Most of the overseas logistics of cross-border e-commerce is based on the China Post Transport System. However, the withdrawal of U.S. requirement from the Universal Postal Office has led to a substantial increase in the cost of goods transported to the U.S. by postal service. In addition, overseas logistics companies continuously increase transportation costs, which leads to increased transportation costs of cross-border e-commerce logistics and greatly hinders the international development of cross-border e-commerce enterprises [2,3]. Secondly, in terms of customs clearance, goods will undergo very strict customs inspection in the process of entry and exit, among which the procedures of shipping documents, declaration and customs clearance are cumbersome and time-consuming, which greatly prolongs the time for the buyer to receive the goods. Thirdly, goods return and

exchange involve more links and take a long time, which results in poor shopping experience for cross-border e-commerce buyers. At the same time, when the cross-border e-commerce platform chooses to pay on delivery, the seller needs to pay a certain fee in advance for the consumer, and also needs to pay customs duties and transportation fees. If the consumer has no reason to return the goods, the seller has to bear the transportation costs required for the return of the goods, which are usually higher. It is not uncommon for cross-border e-commerce platforms to sell goods with low after-sales service quality assessment due to long distance and untimely communication.

### **3. Corresponding Strategies and Suggestions for the Comprehensive Development of Cross-border E-commerce Enterprises under the BRI**

#### **3.1 Achieving standardized and coordinated development based on local conditions**

Laws and regulations on trade and quality vary from region to region, and even in a grey area in some trading areas. Generally, cross-border e-commerce can make use of the existing mature e-commerce platform or the internationally accepted legal system as a reference for trade, but many countries along the "belt and road" have not yet entered into a complete system, which requires builders and maintainers to understand the local culture and related business requirements, and open up trade channels. As an initiative for peace and common development, the BRI is doomed not to be pursued in the same way as the imperialist colonists of many years ago used barbaric methods to force other person involved to accept a set of trade systems, although this is to some extent how the international trade system is now formed. It will take some time to build a trade system suitable for BRI, but it cannot be formed without in-depth understanding on trade situation in each country and frequent trade exchanges.

#### **3.2 Lowering financing costs and widening financing channels**

With the introduction of the guiding policies related to BRI, some cross-border e-commerce enterprises have successfully financed by virtue of their own attraction to capital. Therefore, first of all, e-commerce enterprises need to change their business concepts, shift the focus of enterprise development to relying on technological innovation, process innovation and market innovation (such as developing and focusing on market segments), continuously develop explosive products which can effectively attract customers through in-depth analysis of customer needs, maintain the strong attraction and better profitability of enterprises to customers, and effectively enhance the sustainable development ability and capital attraction of enterprises; secondly, they should make full use of the preferential policies of the BRI, such as the corresponding guidance measures issued by relevant national departments, the financing of outward documentary bill, packaging loan, loan provided to the trust account for export tax refund, supply chain mode and other new financing methods innovatively launched by financial institutions such as banks; finally, they should accelerate the construction of social credit system and guide cross-border e-commerce enterprises to continuously improve their credit so as to provide a reliable basis and basis for financing from enterprises to society.

#### **3.3 Strengthening the construction of professionals**

With the continuous development of cross-border e-commerce industry and the in-depth development of the BRI, the target market of cross-border e-commerce will become more diversified. In order to meet the changing demands of the market, a diversified personnel training system should be established in cross-border e-commerce to achieve the transformation from professional to compound talents. In the face of the shortage of talents for cross border e-commerce, the government should take the lead to unite universities and enterprises as the main battlefield for talent training. Cross-border e-commerce enterprises should assist universities in setting up professional talent training programs, emphasizing practice, avoiding "superficial" extensive education, and offering small language courses in key countries. In this way, colleges and universities can acquire new trends and data of foreign trade and market along the "Belt and Road"

in real time by cooperating with enterprises, and carry out real-time Internet practice teaching through building analog digital platform, so as to enhance students' in-depth understanding of the real market, especially the BRI market.

### **3.4 Attaching importance to and promoting the construction of logistics facilities for cross-border e-commerce**

The connection of logistics among countries along the "Belt and Road" should be strengthened, and the development mode of cross-border e-commerce logistics should be explored in depth to provide convenient, efficient and safe logistics solutions for cross-border e-commerce enterprises. In foreign warehouse storage mode, goods can be prepared in advance, which can not only save a large amount of distribution and delivery time, improve consumer satisfaction and increase product sales, but also facilitate cross-border e-commerce enterprises to optimize after-sales service, omitting secondary clearance and product inspection in the process of return and exchange service, because increasing the consumer shopping experience can help them improve customer repurchase rates, convenient cross-border e-commerce services can not only enhance customer viscosities, but also greatly improve the popularity and influence of cross-border e-commerce enterprises and their platforms in the industry, further increasing market share. Independent construction of foreign warehouse and storage systems will often lead to financial constraints due to excessive investment in the early stage, so it is generally suitable for trans-border pioneer enterprises with relatively large technology and overall scale, which is the key competitiveness of trans-border electric enterprise giants, but also industry barriers. The financing platforms can rely on the guidance of the government and the cooperation between enterprises, and work together with cross-border logistics companies, groups, and e-commerce platforms to build a warehousing system by independent investment in international and regional regions with better product sales situation or by cooperating with logistics companies in overseas regions.

## **4. Conclusions**

The BRI has taken the development of cross-border e-commerce to a fast track, and the rapid development of cross-border e-commerce in recent years has largely benefited from policy support. Essentially, business communication activities of cross-border e-commerce are cross-cultural, so it is very important to understand local business culture traditions and relevant laws and regulations in this process. At the same time, enterprises should assess the needs of funds and talents according to their own development needs, and seize the best period of development by means of social logistics and infrastructure construction.

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