

# Research on the Impact of e-Commerce Development on China's Foreign Trade

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**Abstract:** The development of e-commerce has also greatly promoted the informationization and electronization of international trade activities. Its application in foreign trade, especially in the application of Internet technology and network technology in trade activities, has made significant changes in the way and means of foreign trade of Chinese enterprises, mainly in the changes of trading tools, payment methods and delivery methods. Starting from the current situation of China's e-commerce and international trade, this paper focuses on the impact of the development of e-commerce on China's foreign trade, and clarifies the transformation and upgrading direction of foreign trade in the future.

## 1. Introduction

### 1.1 Promote the Change of the Main Body of China's Foreign Trade

With the acceleration of the process of global integration and the development of e-commerce technology, more and more enterprises no longer rely on import and export trading companies, but build their own e-commerce platform to improve the efficiency of information transmission through the construction of network platform. In this process, there are a number of virtual enterprises. These virtual enterprises use network evaluation to integrate the service information of various products needed by manufacturers and distributors of various countries, and then through this open network platform to inform these information to manufacturers and distributors of various countries, so that they can obtain multi angle, multi-level and all-round information services.

### 1.2 The Development of e-Commerce Reduces the Cost of Foreign Trade of Chinese Enterprises

The most fundamental purpose of expanding business activities of enterprises is to pursue more significance. The reason why more and more enterprises choose to carry out e-commerce activities and use network platform for foreign trade is that compared with the traditional foreign trade mode, e-commerce platform has a comparative advantage in publicity and sales cost, transportation cost, negotiation cost, information cost, etc.

#### 1.2.1 Reduced Information Costs

In the traditional mode of foreign trade, the basis for the survival of import and export trading companies lies in the source information and demand information, which can only be provided to producers and sellers to earn profits. The traditional manufacturers and sellers can only obtain the information of product demand and service from the import and export trading companies. If they do not find the required information through the import and export trading companies, but from the news media such as TV stations, newspapers and magazines, they will not only spend a lot of time, human and financial resources, but also spend extra costs to inspect and verify these letters. The timeliness, reliability and authenticity of interest costs a lot more than relying on import and export trading companies. The development and popularization of e-commerce, through the establishment of the corresponding network platform, can release these information on the network platform, so that the acquisition and transmission of these information become more convenient and rapid, and the information suppliers and demanders can also conduct dialogue and communication through electronic means on the network platform, so that the success rate of foreign trade is greatly improved. The establishment of e-commerce platform makes the provision and acquisition of

information simple and easy. While ensuring the timeliness, reliability and authenticity of information, the cost of information has also been effectively controlled.

### **1.2.2 Reduced Business Costs**

However, due to the support of Internet technology, under the e-commerce mode, the suppliers and demanders of goods do not have to travel long distances to the same place for face-to-face negotiation. They can completely negotiate the default conditions, payment methods, supply methods, standard requirements, demand quantity and other contents in the early stage through e-mail, video conference and other forms, and can also simultaneously enter into a number of potential trading objects. In this way, the cost of business negotiation, such as conference fee and travel expenses, is greatly saved, and the communication mode is more convenient.

### **1.2.3 Reduced Logistics Costs**

After the trade parties sign the contract and formally determine the cooperation relationship, they need to provide goods and services through certain channels. In traditional trade activities, no matter what kind of goods and services the providers of goods and services provide to the demanders, they need to pass the logistics mode, and the final goods and services must also reflect the costs and expenditures in the transportation process. Under the e-commerce mode, the logistics cost can be greatly reduced, because in addition to some non virtual goods and services that have to be provided to the demander in the form of logistics, such as graphics and text, software, audio-visual products or network virtual services can be transmitted to the demander in the form of network, not only will not affect the quality, but also can realize the instantaneous transmission, so that the transmission. The damage rate of goods caused by the transportation time and the man-made, weather and other reasons that are easy to appear in the traditional logistics transmission mode is greatly reduced, which is very beneficial to the cost control of foreign trade enterprises.

### **1.2.4 Reduced Marketing Costs**

The enterprises that can participate in foreign trade are relatively few in the traditional foreign trade mode, mainly because the marketing chain required by this mode is long, so the personnel and expenses on the marketing chain are relatively high. Generally, small and medium-sized enterprises are difficult to pay too high sales costs for a long time, and some enterprises spend more than 50% on sales and publicity. With the rise and development of e-commerce, many activities such as enterprise's propaganda and marketing can be carried out on the network platform, which will not only shorten the marketing chain, reduce the marketing cost by reducing the number of marketing personnel, but also make it a professional after-sales service platform that can respond to customer service in time through the construction of the network platform, which can be reasonably dispatched. Service personnel, so that enterprises in the promotion of sales costs greatly reduced.

## **1.3 The Development of e-Commerce Has Changed China's Foreign Trade Mode**

### **1.3.1 Changes in Trading Instruments**

In the traditional international trade activities, the delivery of documents, contracts and other contents mainly depends on letters or telephone, which is not only at a disadvantage in efficiency and speed, but also can not form an effective document protected by law. Under the e-commerce mode, EDI can encapsulate the information of bill of lading, customs declaration, invoice, import and export license, order, etc. in the trade activities with international standardized documents, and transmit them in the form of network. Now, EDI has gradually replaced the traditional paper trade, which not only greatly improves the speed and efficiency of document transmission in the traditional paper trade, but also It can effectively reduce the error rate and the cost of document processing in traditional trade, which is also very important for the cost control of enterprises.

### **1.3.2 Change of Payment Method**

In the traditional international trade activities, the payment method is mainly to open letter of credit or collection. In addition, cheques, promissory notes, bills of exchange and other documents

are often used. Sometimes, due to the need, special personnel must be sent to the scene for cash payment. This traditional payment method not only has high financial risk, but also is very complex to check, which is easy to cause human resources and materials of enterprises A great waste of resources. With the development of e-commerce, it is now possible to use e-money to replace paper money for payment and settlement through the online banking system. The trade platform represented by Alibaba and Amazon can also provide necessary capital guarantee for both parties of international trade in the form of guarantee transaction, which adopts online transfer, online letter of credit settlement and other methods to effectively control the transaction risk and make the transaction payment more secure, convenient and high-speed.

### 1.3.3 Change of Delivery Mode

Under the traditional trade mode, the delivery time of both bulk goods transportation and small-scale transaction logistics is relatively long, and the goods are completely out of the control of both parties in the transportation process. As a result, not only the problem of high cost in logistics is relatively serious, but also more likely to occur once the goods are unexpected in the transportation process Plus complicated business disputes. With the development of network technology, the delivery methods of intangible products and tangible products have changed. Logistics and express delivery can track and query products in real time through waybills, which can effectively reduce transportation risks and improve efficiency.

## 2. Analysis of the Current Situation and Problems of China's Foreign Trade under the Development of e-Commerce

### 2.1 Development Status of Cross-Border e-Commerce

In recent years, with the rapid development of e-commerce in China, a large number of e-commerce enterprises have emerged, and traditional foreign trade companies have gradually stepped into the field of e-commerce transactions, further promoting the development process of cross-border e-commerce transactions. As of the first half of 2018, China's cross-border e-commerce transactions reached 4.5 trillion yuan, as shown in Figure 1.

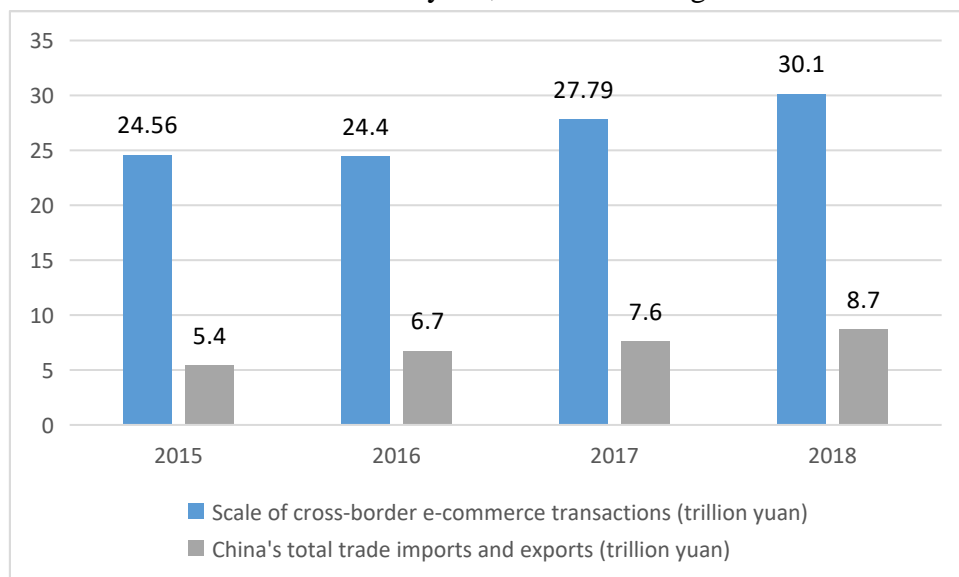


Fig.1 Cross Border e-Commerce Transaction Volume in China from 2015 to 2018

Under the development of e-commerce, the development structure of China's foreign trade has also undergone some corresponding changes, but it is still dominated by export trade. According to the statistics of relevant data, as of the first half of 2018, the overall scale of China's export cross-border e-commerce transactions is 3.47 trillion yuan, with a growth rate of 26.2%, and the overall scale of import cross-border e-commerce transactions is 1.02 trillion yuan, with a growth

rate of 19.3%. From the perspective of overall structure, the export trade volume of China's cross-border e-commerce trade structure shows a gradual downward trend, while the import trade volume correspondingly rises, as shown in Figure 2.

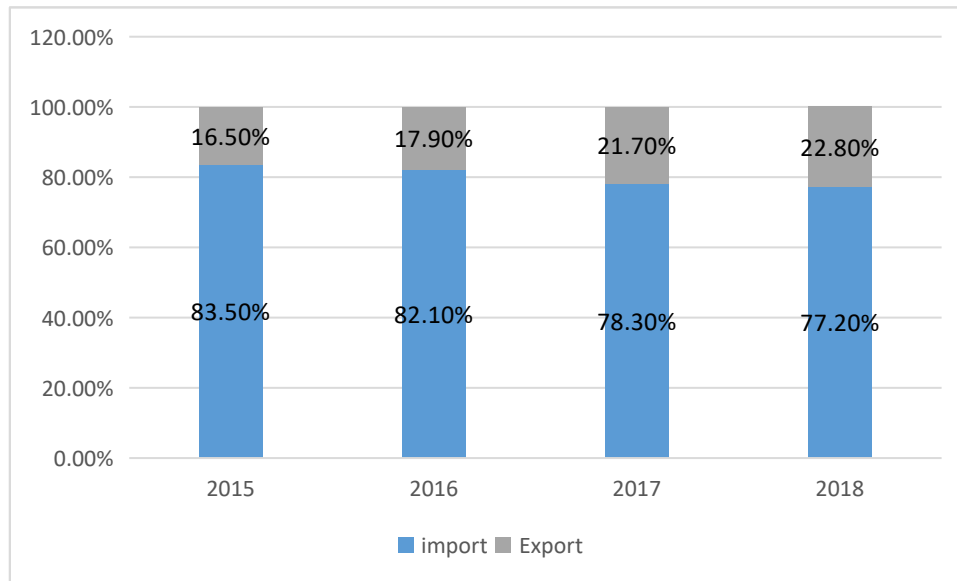


Fig.2 Cross Border e-Commerce Transaction Structure in China

From the perspective of China's overall international trade demand, cross-border B2B is the main development direction of China's foreign trade transformation and upgrading in the future. B2B meets the needs of stable growth and structural adjustment of China's foreign trade, and at the same time, it better meets the trade demand of small orders and high recovery rate of foreign manufacturing industry.

## 2.2 Analysis of China's Foreign Trade Development under the Development of e-Commerce

China's Internet technology application time is late, compared with the developed countries, the development of e-commerce in China, there are still some areas to be improved. Its development is mainly in the following aspects.

First, the infrastructure of e-commerce development is not complete. Although China has paid more attention to the construction of information facilities in the development of e-commerce, compared with developed countries, the development level of e-commerce in China is relatively backward in terms of information tariff level, network management, security and confidentiality conditions, communication speed, technical standards, network information level, etc. Logistics is an important supporting facility system of e-commerce. The level of logistics plays a direct role in the development of e-commerce. However, the overall logistics distribution system in China is still relatively weak, which is not enough to support the development of e-commerce. Logistics is not timely has always been a hot issue complained about in e-commerce applications, and the construction of industry standards, industrial policies, logistics technology and equipment, infrastructure and other aspects involved in the construction of logistics distribution system is also relatively weak, which affects the development of electronic activities.

Second, the lack of technical personnel. Talent is the key to the development and application of e-commerce, but the demand for talent in the Internet and information technology industry has not been able to meet the needs of development. At the level of talent demand, only those who master marketing or computer technology are far from satisfying the development of various enterprises and industries with different division of labor. Therefore, the lack of compound senior e-commerce talents with innovative thinking is also an important reason restricting the development of e-commerce in China.

Third, the safety factor is weak. Compared with the traditional face-to-face transaction process, the application of e-commerce will involve more security issues such as information security and

capital security, because the development and application of e-commerce is in a virtual environment based on Internet information technology. At present, the security system of the third-party credit platform in China is not perfect, the business promotion is slow, and there are big security risks in the commercial documents, online payment and other networks.

Fourth, the application level is not high. E-commerce is mainly used in domestic trade. From the perspective of regional distribution, the regional distribution is characterized by massive economy, low level of comprehensive application, unbalanced development of e-commerce in various regions, especially the enterprises in the central and western regions have not even carried out e-commerce activities. From the perspective of application enterprises and industries, different industries have different degrees of application of e-commerce. Among them, the application of small and medium-sized enterprises to e-commerce is relatively common. However, due to the low level of e-commerce services and support, although the rapid development speed is maintained, e-commerce activities can only be carried out at a lower level of application.

Fifth, the lack of legal norms. China's laws do not make clear provisions on the tariff collection of trade through e-commerce. The intangible characteristics of trade transactions in the e-commerce environment have an impact on the tax system and supervision scope of China's customs, which will have an adverse impact on China's financial revenue, and will inevitably cause the loss of tariffs and affect China's economic development.

### **3. Analysis on the Transformation of e-Commerce to Promote the Development of Foreign Trade**

#### **3.1 Change the Management Mode of Foreign Trade Enterprises**

The application of e-commerce platform can effectively improve the standardization of enterprise management, realize the scientific management of enterprises, and change the traditional management mode of foreign trade enterprises. Moreover, foreign trade enterprises should also strive to develop ERP system, realize the digital management of traditional human resources, reduce the purchase cost of enterprises, and promote the modern management mode to adapt to the application of e-commerce platform.

#### **3.2 Establish a Humanized International Crm System**

The application of e-commerce platform requires enterprises to establish a humanized international CRM system to meet the needs of customers, and the establishment of the international CRM system can also help enterprises to make strategic decisions, expand the scope of business development, strengthen good communication with international enterprises, improve the management function of products, and promote the internationalization of enterprises. In addition, enterprises should attach great importance to international cooperation and dialogue, actively participate in international research activities, learn from other countries' experience in dealing with problems in the process of e-commerce development through exchange and reference, so as to improve their own application ability.

Summary: with the development of e-commerce, the traditional trade subject, trade cost and trade mode of Chinese enterprises have undergone significant changes, which will promote the more international development of China's foreign trade.

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