Cross-Border e-Commerce Development and Its Implication for FTA Negotiation: APEC and China

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Cross-border E-commerce Development and its Implication for FTA Negotiation: APEC and China

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Content

- Cross-border e-commerce development
- Transformation of international trade transaction and handling process
- Benefits of cross-border e-commerce for trading partners
- What are the challenges?
- Implications for FTA negotiation
- How to enhance mutual understanding through FTA negotiation?
Cross-border E-commerce development

- eBay and Paypal: the typical case of cross-border e-commerce
  - 15% of global e-commerce (Paypal)
  - 20% of transactions (68 billion USD 2012) are cross-border
  - Growth of China is 68% (eBay sales, 2012) and 35% with Paypal

- China's cross-border e-commerce
  - 15 billion USD, 2012 with growth above 30%
  - 0.73% of China's total export

- APEC region
  - 30 billion USD, 2012 est.

- Global
  - 44 billion USD, 2012 est. (ComScore and Euromonitor)

Cross-border EC Commodity Structure

<table>
<thead>
<tr>
<th>Labor-intensive</th>
<th>Technology-intensive</th>
</tr>
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<tbody>
<tr>
<td>Jewelry</td>
<td>Computer products</td>
</tr>
<tr>
<td>Diamond</td>
<td>Mobile handset</td>
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<tr>
<td>Watch</td>
<td></td>
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<tr>
<td>Handcraft products</td>
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<tr>
<td>Tailored garment</td>
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<tr>
<td>Automobile components</td>
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<td>Sports goods</td>
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<tr>
<td>Cosmetics</td>
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<tr>
<td>Healthcare products</td>
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</tr>
</tbody>
</table>

APEC Online International Trade Report by APEC E-commerce Alliance 2012
Cross-border EC Commodity Structure

<table>
<thead>
<tr>
<th>Degree of Value-added</th>
<th>Degree of standardization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jewelry</td>
<td>Computer products</td>
</tr>
<tr>
<td>Diamond</td>
<td>Mobile handset</td>
</tr>
<tr>
<td>Watches</td>
<td>Camera and photographic products</td>
</tr>
<tr>
<td>Handcraft products</td>
<td>Automobile components</td>
</tr>
<tr>
<td>Tailored garments</td>
<td>Sports goods</td>
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Transformation of International Trade in China

Cross-border E-commerce Transaction and process

Before Transaction
- Potential buyers and sellers
- Information exchanges
- Trade leads
- Business opportunities
- Matching buyers and sellers

Transaction
- Potential buyers and sellers
- Information exchanges
- Trade leads
- Business opportunities
- Matching buyers and sellers
- Transactions
- Payment
- Logistics integration

After Transaction
- Import and export process management
- Documents preparation
- Documents exchange
- Payment integration
- Logistics integration
- Banking
- Foreign exchange
- Customs and other government authorities
Immerging Platforms on Internet

Immerging Platforms in China to facilitate Trade

Before Transaction
- Alibaba.com
- MadeinChina.com
- Globalmarket.com
- Trade2cn.com

Transaction
- Dhgate.com
- Aliexpress.com (Alibaba)
- M2Cmart.com (Global market)
- Ebay.cn

After Transaction
- Onetouch.cn (taken over by Alibaba)

Note: Apart from the above third party platforms, Lightinthebox has just been listed in NYSE on 6th, June 2013.

Benifits of Cross-border E-commerce

- Increase the availability and choices of consumer products
- Easy and convenient for business and consumers
- Increase the market efficiencies
- Reduce the transaction cost
- Facilitate International trade
What Are the Challenges?

Market Perspective:
- from physical to virtual
  - The players
  - The products
  - The Process

Physical marketplace

Virtual marketplace

Players
- EC regulations
- Online Consumer protection
- Personal data protection

Products
- Physical products
- Digital products
- Services

Process
- Authentication
- Transactions
- Handling process

New areas

Implications for FTA negotiation

- How can we make sure that
  - cross-border e-commerce is consistent with the current trading regulation?
    - stability, predictability, consistency
  - cross-border e-commerce is not imposed with extra cost?
    - customs duties, administrative cost
  - cross-border e-commerce can be done within the appropriate legal environment?
    - consumer protection, non-discrimination, co-operation and mutual respect
How to Enhance Mutual Understanding through FTA negotiation?

- Maintain discussing channels
- Exchange views with mutual respect
- Make analysis of the underlying interest and benefits
- Emphasize the potential opportunities for mutual gain
- Establish objective legal criteria (new rules, regulation, legal framework)

Thanks

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