E-trade and its Impact on SMEs: Case of China and Lessons for Asia Pacific Region

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Asia-Pacific Trade Facilitation Forum 2012
Galadari Hotel, Colombo, Sri Lanka
30 - 31 October 2012
Agenda

- Definition and scope?
- SMEs and export
- How E-trade platforms facilitate trade in China
- Platform cases of China
- Business models of E-trade platforms
- Enterprise-driven model towards single window
- What happens next?
Definition and scope

- SMEs-Small and medium sized enterprises
- E-trade
- Third party platforms
- Government authorities
SMES and export

- Estimated: 2011, 90% of China’s exports (1.9 trillion USD) is from 100 thousand qualified manufactures.
- 97% of them are SMEs.
Pathway to Paperless Trading

**Preliminary Stage**
- Plan for action
- Score: 11-20
- Start-up
- Score: 21-35
- Internal Application
- - Trade data processing
- - Auto generation of trade documents

**Developing Stage**
- Score: 21-35
- External Application
- Score: 36-50
- Single-window system
- B2B, B2G customs clearance
- Manifest
- Duty Draw Back
- C/O
- Letter of Guarantee
- Delivery Order
- Score: 51-65
- Local Integration
- To cover all import and export related procedures
- One platform for all trade processes
- Strong legal support
- Score: 66-85
- Cross Border Integration
- Bilateral cooperation between two APEC economies
- Full integration and seamless transmission of trading data among the APEC economies
- Score: 86-100
- Global Integration
- Multilateral cooperation among the APEC economies
- Full integration and seamless transmission of trading data among the APEC economies

**Mature Stage**
- Paperless trading and Single Window to facilitate trade
Paperless trading and Single Window to facilitate trade

Single Window Integration
Paperless trading and Single Window to facilitate trade

SW Value Proposition

Transaction  | Transportation  | Settlement
Ordering     | Logistics       | Customs     | Payment

Time  | Cost  | efficiency  | Convenience

Value

Single Window Platform: Value Added Services

Imp/Exp  | Gov.  | Logistic  | Customs  | Ports  | Banks

Participants
How E-trade platforms facilitate trade in China

International Trade 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
**How E-trade platforms facilitate trade in China**

**Immerging Platforms in China to facilitate Trade**

<table>
<thead>
<tr>
<th>Before Transaction</th>
<th>Transaction</th>
<th>After Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Alibaba.com</td>
<td>- Dhgate.com</td>
<td>- Onetouch.cn (taken over by Alibaba)</td>
</tr>
<tr>
<td>- MadeinChina.com</td>
<td>- Aliexpress.com (Alibaba)</td>
<td></td>
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<tr>
<td>- Globalmarket.com</td>
<td>- M2Cmart.com (Global market)</td>
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<tr>
<td>- Trade2cn.com</td>
<td>- Ebay.cn</td>
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</tbody>
</table>
# How E-trade platforms facilitate trade in china

## Business models of these third party platforms

<table>
<thead>
<tr>
<th>Before Transaction</th>
<th>Transaction</th>
<th>After Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Trade leads</td>
<td>- Online sales in quantities</td>
<td>- Outsourcing trade services (documentation, exchange of documents)</td>
</tr>
<tr>
<td>- Matching buyers and sellers</td>
<td>- Payment services (Credit card, Paypal, etc)</td>
<td>- International payment and settlement supporting services</td>
</tr>
<tr>
<td>- Membership fees</td>
<td>- Cross-border express delivery</td>
<td>- Customs declaration</td>
</tr>
<tr>
<td>- Loan without security to the qualified members</td>
<td>- Customs parcel declaration</td>
<td>- Foreign exchange control supporting services</td>
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<tr>
<td>- All classified goods</td>
<td>- Commission or transaction fee</td>
<td>- Service fees</td>
</tr>
<tr>
<td></td>
<td>- Loan without security</td>
<td>- Loan without securities</td>
</tr>
<tr>
<td></td>
<td>- Online sales products</td>
<td>- Trade financing</td>
</tr>
</tbody>
</table>
Cross-Border E-commerce transactions

Traditional C/B B2B
- Bulk goods
- International sale of goods
- Well-regulated international practice
- C/B trade mainstream

Online C/B B2C
- Small packages
- International online retail
- Yet to be regulated, some gray area
- Yet to be developed and uncertainty
Cross-border e-commerce transactions vs. traditional B2B model in China?

**TOTAL EXPORT**
- 1898 billion US Dollar total (2011), No. 1 in global trade
- Around **22%** annual growth rate

**ONLINE B2C**
- Small percentage, less than 1 percent of total trade (our estimation is 0.2%)
- Over **125%** annual growth rate
Original E-port and Single Window Model and Concept
一家外贸企业的“脱困”启示： “寒冬”求生...
外贸形势今年以来异常严峻，外贸实际利用金额的持续下降，这对我们外贸企业对外市场的信心继续减弱。外贸企业的“寒冬”求生，需要的是能力和信心。

低成倍贸易大产生“量质”收益
4月份贸易数据并不乐观，GDP的增长远不及商务部预计的对外贸易10%的目标。然而，我们更担忧的是，在数据全面下滑的背后，中国贸易利益状况同样值得忧虑。

中西部贸易会有更多增长

关注技术性贸易措施的新特点和新...

外贸如何“转型”突围？

全球煤化工行业贸易救济案件的...

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010-95198

投诉电话：
010-65194703

新用户导航 业务导航 下载中心 常见问题 分支机构
Limitations with China E-port

- China E-port is only for customs clearance and related procedures
- China E-port is a data checking system with foreign exchange authorities
- China E-port has online payment system for paying duty and tax
- China E-port runs independent from other import and export control authorities, e.g. Ministry of Commerce, Inspection and Quarantine Services, etc.
Case Study: Outsourcing service platform

Welcome to OneTouch
IMP. & EXP. BPO SERVICE FOR SME

Business process outsourcing
Imp. & Exp. BPO Service

Service Details

Customs Clearance → Transportation → Storage → Insurance

All services in import and export trade......

Port ← Foreign Exchange ← Tax Reimbursement

Fastest Customs Clearance, Lowest Export Cost!
For Export-Oriented Clients
(General Taxpayers, such as Factories and Trading Companies)

1. Cargo

2. Foreign Exchange

3. Settlement of exchange in RMB

4. VAT Invoice

5. Corresponding Cargo Value for Tax Reimbursement

1. The transportation company can be designated by the client.
2. Foreign exchange can be received in advance before dispatching the cargo.
3. Client VAT Invoice Amount = Foreign Exchange Amount + Tax Returned - Service Charge.
Enterprise-driven model and value proposition

Transaction
Ordering
Logistics
Customs
Payment
Settlement

Time
Cost
efficiency
Convenience

Public Data Exchange Platform

Value-added platform
Imp/Exp
Gov.
Logistic
Customs
Ports
Banks

Participants

Solution
One stop service: a single platform for importers and exporters

- Outsourcing Service Platform
- Imp. and Exp. Service Platform
- E-Registration
- E-Inspection
- Public Data Exchange Platform
- E-Port
- On-line Declaration
- Payment of Foreign Exchange
- Export Drawback
- On-line Payment of Duties
Cost Analysis

- Service fee: 1,000 RMB per transaction
- Handling fees:
  - Logistics handling fees: 0.1-2.0%
  - Trade financing fees: 0.2-1.5%

- Overall trade cost: -60%
- Customs clearance time: -70%
- Plus trade financing services
What happens next?

Immerging Model of Single Window: Integrated Outsourcing Service Platform

- Outsourcing Service Platform
- One stop service to the SMEs and traders
- Imp. and Exp. Service Platform
- Public Data Exchange Platform
- Private and public partnership
- E-Inspection
- E-registration
- On-line Declaration
- Payment of Foreign Exchange
- Export Drawback
- On-line Payment of Duties

Traders
Thanks

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