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E-Commerce in China: Opportunities for Asian Firms

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The paper reviews the context of e-commerce development in China and identifies what is needed for foreign firms in Asia to tap into that market. It draws lessons from the experience of small enterprises in China working together in order to achieve the efficiency and competitiveness in the country; explores the barriers and solutions for developing e-commerce between Asian firms and China. The publication outlines options available to both policymakers and businesses in the region for marketing goods to e-commerce customers.

Descriptors: **China, Electronic Commerce, Asia, SMEs, Intraregional Trade, Least Developed Countries.**

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English

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ITC Foreword



Statistics on Internet usage confirm that we are living in the age of connectivity. Research by the International Telecommunication Union shows that today more than 3 billion people are using the Internet: an increase from 730 million in 2000 to 3.2 billion people in 2015. China is the country with the most users with recent data (2014) estimating a total of 642 million users, representing more users than the United States of America, India and Japan combined.

This connectivity lowers the information and knowledge gap between countries, and creates new and growing routes to trade and business. This new 'information highway' is the invisible Silk Road of the 21st century, with an impact on where goods and services are produced and how they are consumed.

This growth in connectivity has led to the rise of e-commerce. E-commerce helps level the playing field especially for micro, small and medium-sized enterprises (MSMEs) who, through the click of a button, can be exposed to a new customer base, new markets and new value chains. At ITC we help these SMEs to increase their competitiveness by using trade as a tool for growth, job creation and poverty reduction. An important – and growing – component of our work involves helping them to better leverage the digital economy in order to connect to profitable value chains.

There is growing consensus that successful participation by SMEs in e-commerce can make a significant contribution to sustainable and inclusive economic growth. E-commerce has had a significant impact on inclusive economic growth in China, spreading prosperity and creating jobs in rural areas. As the world's largest e-commerce market, China is an example to its neighbours in Asia of the value in investing in information and communications technology and supporting small and medium-sized enterprises (SMEs) to grow through e-trade. China is also a growing market for SMEs in the Asian region, providing opportunities for sourcing, insertion into regional value chains, and technological transfer and know-how.

SMEs comprise 95% of the private sector in Asia, employing nearly 80% of the workforce. They play a critical role in the region's economy and growth. Despite the fact that the region's least developed countries (LDCs) represent a very small share of China's imports, less than 0.5%, there is a tremendous potential for this to grow in the future, with China representing a strategic market for expediting their integration into regional and international value chains and taking advantage of both their geographical proximity and preferential market access conditions. Virtual selling is particularly appropriate for SMEs in connecting to customers, avoiding costly intermediation and earning greater returns on their sales.

This publication reviews the context of e-commerce development in China and identifies what Asian firms need to tap into that market. One lesson is the efficiency and consequent competitiveness achieved in China, as a result of small enterprises working together. Boosted by government investment and assisted by private-sector partners, including Alibaba and its subsidiaries, clusters of firms share vital infrastructure like logistics platforms and e-payment solutions, and cooperate on procedures for customs and duties.

From setting up e-commerce business to international payments, logistics and aftersales activities, the publication outlines options for policymakers and businesses in the region to market goods to these new and demanding e-commerce customers.

Working with Alibaba, ITC aims to facilitate improved access to e-commerce markets in China for SMEs in Asia and beyond. Together, ITC and Alibaba will continue to study the opportunities and challenges outlined in this paper to develop market insights and appropriate solutions for SMEs. The ITC-Alibaba partnership will aim to get SMEs onto this digital market using the lessons of the Chinese story.

A handwritten signature in black ink, appearing to read 'Arancha González'.

Arancha González,
Executive Director, International Trade Centre

Alibaba Group Foreword



Since the turn of the 21st century, with the rapid development of Internet technology and cross-border e-commerce around the world, international trade players and trade patterns have been undergoing major changes. These changes have promoted the inclusive development of the world economy and international trade, and provided historic opportunities for the development of small and medium-sized enterprises (SMEs).

Thanks to cross-border e-commerce, an increasing number of SMEs and online merchants have begun to stand on the same starting line as large enterprises and to enjoy direct access to global markets. At the same time, numerous enterprises have been shifting from offline trade to online trade. The share of cross-border e-commerce in international trade, including business-to-business and business-to-consumer e-commerce, is increasing rapidly, and data are becoming a new driver of trade growth and economic development.

In fact, cross-border e-commerce is creating a revolution in the global economy and global trade, drastically reducing the costs of trade and removing obstacles to bilateral trade, leading the sector into a borderless digital market. Cross-border e-commerce is widening access to the international market and optimizing the global supply chain for businesses from all countries, including in developing and least developed countries.

Alibaba Group is committed to 'making it easy to do business anywhere' and to empowering global SMEs and consumers. By providing new business infrastructures for the Internet era – from e-commerce platforms, inclusive finance and smart logistics to big data, cloud computing and cross-border trade services – the Group is helping SMEs to better 'source globally, sell globally' and to seek ever more innovative development.

Since 2016, Alibaba has been calling for the establishment of an Electronic World Trade Platform (eWTP) to accommodate the rapid development of the global digital economy, provide greater support to the development of SMEs and young people, incubate new international e-trade rules and promote the growth of inclusive trade worldwide. In recent months, the eWTP Initiative has been warmly welcomed by the international community. It was accepted as one of the major policy recommendations of the Business 20 and echoed by the Group of 20 Leaders at the Hangzhou Summit in September 2016.

Cross-border e-commerce undoubtedly represents the future of global trade, and Alibaba Group stands ready to help SMEs ride this wave and expand business globally. We hope this report will prove beneficial for businesses from developing and least developed countries in their quest for new international markets.

A handwritten signature in black ink, reading '高红冰' (Gao Hongbing).

Hongbing GAO
Vice President of Alibaba Group & Director of AliResearch

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This document is based on the research conducted by Dr. Jian Wang, Chair Professor of International Business and e-Business, Director of Center for International Business Studies, Director of Cross-border E-commerce Research Center at the University of International Business and Economics (UIBE), Beijing, China.

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