

# An Analysis on the Influence of E-commerce on China's International Economic Trade and Relevant Strategies

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**Abstract:** Along with the constant integration of Internet technology to fit the modern needs, E-commerce is also penetrating into various trades and industries. As per international trade, the emergence and development of E-commerce has brought upon traditional international trade business enormous influence. E-commerce in international trade is now not only used to seek trade partners, conduct business communications and make online purchasing orders, but also utilized for business management that exceeds the limit and scope of time and space. This study aims to analyze the impact of E-commerce on Chinese international economic trade, and to put forward relevant strategies for the positive development of Chinese E-commerce and international trade.

**Keyword:** E-commerce, International Economic Trade, Development Trend

## 1. Introduction

E-commerce is the activity to conduct electronic business by using the internet or intranet. Essentially, it is the traditional business activity with each procedure and process conducted electronically and on-line. The main features of E-commerce, include internationality, convenience, virtuality and universality, etc. Despite the late start of domestic E-commerce, it demonstrates now great momentum for thriving development and bright prospect in future.

## 2. Development and Characteristics of E-commerce

### 2.1 The development of E-commerce

The recent five years have witnessed the accelerated construction of network infrastructure as well as the popularizing rate of network, which resulted in the improvement of developing conditions for E-commerce and the rapid growth of E-commerce trading turnover. In 200, (此处原文为 200) , the E-commerce trading volume was 3.8 trillion Yuan, which by 2013 has grown into 9.9 trillion. By 2017, it is estimated to be 21.6 trillion Yuan, as shown by chart 1:

**E-commerce Trading Turnover Growth Rate**



**Chart 1:** Transaction Scale of Chinese E-commerce Market 2011-2017 ( Unit : Trillion Yuan)

### 1.2 The business and profit model of E-commerce

#### 1) The business and profit model of E-commerce

The business models of E-commerce include B2B、 B2C、 C2C and O2O. B2B is the integrated consultancy aimed at enterprises, upstream and downstream manufacturers, combined with the business pattern of using internet for the transaction between enterprises. Such model can not only significantly reduce the cost for enterprise internal communication, but also facilitate the business in a faster way and at the minimum cost, of which the typical enterprise is the Alibaba. B2C is to use the internet for the sales of products or services with abundant, convenient accesses to attract the consumers. C2C is the interactive trading pattern featuring flexibility and variety between consumers, of which secondhand and auction business is also included. O2O is the combination of offline business and internet, enabling the consumers to choose the products and service online and conduct the business offline.

The profit model of E-commerce includes the following patterns: 1) utilize existing resources. For instance, food Company selling products (i.e. resources) online, or market planning enterprise providing services online, etc. E-commerce Enterprises utilizing existing resources only needs to provide the clients with high-quality goods, seek proper sales channel and choose the timing for publicity; 2) utilize accumulated resources. E-commerce companies using accumulated resources also need to accumulate and enrich their resources, establish a well-functioning platform and strengthen publicity; besides, such companies can also attract visitor volume and acquire commercial earnings by providing free services; 3) utilize the combination of the abovementioned visitor resources. Such model needs a well-built platform and attracts visitors of both kind via powerful publicity; generally, free resource strategies are provided during early stages to draw attention and click rates.

#### 2) Comparison with Traditional Business

In comparison with traditional business, E-commerce boasts

great advantages in exceeding the limit of time and space, as well as saving operation cost, intermediate Linksys, expanding sales channel, convenient management and enhancing competitiveness and so on. The disadvantages, on the other hand, exist in the limitation of merchandise exhibition, risks in transaction, challenges in logistics distribution and irregular service levels, etc.

### **3. The Impact of E-commerce on International Economic Trade**

#### **3.1 Unifying International Market**

The internet covers over 150 countries across the globe, upon which E-commerce has established unified global virtual transaction market<sup>[1]</sup>. The established of such virtual market exceeds the limitation of time and space, making information about products and services accessible to worldwide consumer, effectively improving the unbalanced information conditions. Merchandises of similar value or quality thus share more fierce competition, enabling the law of value to play a full role in the market. E-commerce, however, also increases the risks in markets, including the risks of willingness and partner, transaction and payment, quality and technology, etc.

#### **3.2 Defining International Division of Labor**

Firstly, the booming of E-commerce facilitates the trend of internationalization among domestic multinational enterprises' production arrangements, enabling enterprises to generate orders and organize production activities via internet<sup>[2]</sup>. Meanwhile, E-commerce also reduces the production cycle and the stress of inventory. Secondly, the growth of E-commerce helps the domestic multinational enterprises to allocate resources around the globe, as well as scientifically arrange the production and maximally reduce the production costs in a more reasonable manner. Finally, E-commerce significantly enhances the technology value of products, optimizes the global industrial structure and drives the international industrial structure to develop into a more advanced level<sup>[3]</sup>.

#### **3.3 Reorganizing Global Trade**

The advancement of E-commerce will further increase the contribution of domestic international trade to the economic development. Firstly, E-commerce will boost the merchandise trade growth by expanding the market scope for foreign trade enterprises, reducing the trade barrier and driving the increase of international trade volume<sup>[4]</sup>. Meanwhile, E-commerce can exceed the limitation of time and space, helping people to conduct wider businesses such as finance, advertising, investment, marketing, technical consultancy, culture and health care, etc. Therefore, conclusion can be drawn that the E-commerce enhances service trade efficiency while decreases the cost and reorganizes the global trade conditions, providing more industries with the option of E-commerce.

#### **3.4 Classifying International Preferences**

E-commerce provides consumers with more choices and varieties. Consumers can enjoy the access to the merchandise information at home with internet anywhere at anytime. With greater variety of merchandise, consumers can freely choose merchandises based on their demands and preferences, and there will be more alternatives among merchandises<sup>[5]</sup>. The internet increases the efficiency of information transition, and the consumption concepts and trends can also spread via the internet all over the world, which in time will result in the similar trend globe-wide. Besides, through E-commerce consumers can instantly communicate with the seller, while the consumers enjoy the initial of business, thus leading the business to pay more attention to the variety, quality, features and improvement of their products. Such consumption trend will in time influence the traditional international trade pattern, classifying international preferences.

### **4. Relevant Strategies in Response of E-commerce Influences**

#### **4.1 Accelerate the Construction of E-commerce Network Infrastructure**

To accelerate investment in infrastructure construction, the first priority is to optimize internet infrastructure for E-commerce, improve the network transition speed, decrease the costs of network operation and enhance the domestic economic and information technology levels. Secondly, it is necessary to improve network hardware and software facilities, reasonably utilize existing resources, establish competition mechanism, break through the barrier and structure of the traditional industry and innovate the current system of charging and market for the solid foundation of E-commerce development. Lastly, the government shall establish regulations and policies to actively guide and encourage the domestic E-commerce oriented businesses, especially physical entities with favorable policies in fund, resources and tax so as to boost the market to build up the integrated logistic distribution system incorporating business, information and logistic distribution.

#### **4.2 Accelerate E-commerce foreign trade market**

To accelerate E-commerce foreign trade market, it is important to strengthen the supervision and guarantee of products quality, build up products quality standard system, nurture and guide the establishment of mature E-commerce business market credit system, driving the E-commerce market into healthier development<sup>[6]</sup>. The government plays an important role in establishment of E-commerce foreign trade market, for competition institutions in industry and commerce management as well as quality supervision shall strictly conduct quality inspection and control and enhance the quality supervision and management procedures.

#### **4.3 Accelerate the establishment of E-commerce platform shared by the industry**

Many domestic small and micro foreign trade enterprises faces the challenges in fund, talent and market resources, and the E-commerce can actually bring opportunities to these companies by using E-commerce for sales and customer communication. However, the strength of such enterprises are still limited to establish such platforms, therefore the government should actively encourage building a just and fair industry E-commerce platform which allows small and micro enterprises the access to realize their development.

#### **4.4 Accelerate the improvement of online payment system**

One of the key procedures in E-commerce is the payment of electronic currency, including electronic cheque, electronic cash, bank system, etc. Due to the openness of internet, the online electronic finance and payment faces some risks. TO ensure the safety of electronic E-commerce online payment system, proper improvement of such system must be made with hi-tech accreditation technologies and safety protocols such as encryption, electronic envelope, and electronic signature so as to guarantee the safety of the enterprises and consumers.

#### **5. The Development Direction and Influence on Economic Structure of E-commerce**

Judging by the turnover, penetration and user population of domestic E-commerce, the domestic industry development has exceeded that of the United States, ranking as one of the leading role in the market. The development direction of E-commerce in future will gradually be mobile shopping, and mobile users will be more than PC users. E-commerce will gradually penetrate to and focus on smaller cities. Social shopping will be more popular, and big data will be fully utilized as an important resource for E-commerce profit.

E-commerce by using business information realizes the organic integration of information, merchandise and funds, thus providing support of online information service and offline trade as well as adjusting economic structure. As for the information acquiring, E-commerce integrates international highly efficient searching technology and enjoys the ability for statistics, analysis and utilization. Merchandise-wise speaking, E-commerce guarantees its own advantage in resources and cooperates with trustworthy online payment system both home and abroad, improve the unbalanced information conditions and saves transaction costs. The organic combination of information, merchandise and funds not only enhances efficiency, but also directly benefit the customers and boost the national economic structure adjustment.

#### **6. Conclusion**

The domestic development of E-commerce has posed profound and ever-lasting influences on China's international trade development as well as resulted in the change of many aspects of international trade. E-commerce brings about challenges and changes to China's international trade in the stages of preparation, negotiation, discussion, contracting and execution, which directly impact on the growth of domestic international trade business and offer more opportunities for domestic foreign trade enterprises to enter the international market. Through E-commerce, the domestic foreign trade enterprises can participate in the international market competition and integrate into the global industry system in a more profound and intense manner.

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