

# Analysis of the Current Situation and Influencing Factors of Chinese SMEs' Export Development under APEC Digital Economy

Baolong Yu\*, Tong Sheng, Jie Zhao

School of Business, Qingdao University of Technology, Qingdao 266500, China

\*baolong\_yu0813@163.com

## Abstract

The distinctive feature of the current world economic development is the accelerated transformation of the digital economy. In response to the international trend of digital economy development, APEC China Business Council has established the Digital Economy Committee to further promote the deep participation of Chinese SMEs in the development process of APEC. Due to the new trends in the digital economy, the threshold for Chinese SMEs to join the world trade process has been significantly lowered and their share in total foreign exports is increasing year by year. Therefore, it is very necessary to study the current situation of Chinese SMEs' exports in the context of APEC digital economy and the influencing factors. Using analytical methods such as analytical induction, case comparison and survey research, this paper examines the current situation and causes of Chinese SMEs' exports, and proposes a series of trade strategies.

## Keywords

Digital Economy; Small and Medium Enterprises; Export Influencing Factors.

## 1. Introduction

APEC pursues the principles of equal and mutually beneficial, coordinated and autonomous voluntary trade, emphasizing flexibility and progressiveness in its operations, leaving enough institutional space for its future operations and guiding principles [1]. With a total population of 42% of the world and a total economic contribution of 58% of the world, APEC has made indelible contributions to trade and investment liberalization and facilitation in the Asia-Pacific region. It has strongly promoted the long-term stable growth of the regional economy and improved the living standards of people in the Asia-Pacific region [2]. Today, APEC has become a powerful engine of world economic growth and one of the most important regional forums in the Asia-Pacific region [3].

The COVID-19 epidemic has had a serious impact on global trade and accelerated the development of the digital economy. With the commercial application of Internet, big data and cloud computing technologies, APEC began to continuously cooperate in the direction and field of digital economy and made a series of strategic arrangements and action plans [4]. For example, the APEC Internet and Digital Economy Roadmap and the APEC Cross-border E-commerce Facilitation Framework were developed in 2017, and the APEC Digital Economy Action Plan was developed in 2018, and the digital economy cooperation in the Asia-Pacific region continues to expand and deepen. As the Bogor Goals expire, APEC's Kuala Lumpur meeting in Malaysia adopted the APEC Putrajaya Vision 2040. Through the meeting, APEC identified the overall goal of promoting shared prosperity in the Asia-Pacific region by 2040, and made digital infrastructure development, digital transformation, and strengthening the protection of personal information and facilitating data flows as its strategic focus.

The White Paper on the Development of China's Digital Economy (2020) states that China's digital economy should be understood in terms of productivity and production relations. Specifically, the digital economy is "four", namely, digital industrialization, industrial digitization, digital governance and data valorization. China's digital economy is mainly composed of digital industrialization and industrial digitization [5]. From the perspective of internal structure, it shows a pattern that the proportion of digital industrialization decreases year by year, while the proportion of industrial digitization increases year by year. SMEs are an important part of China's economy, and the vast majority of the SMEs involved in export trade are concentrated in the Internet industry [6]. As cooperation in ICT has always been valued by APEC, the rise of the "Internet+" model has brought strong impetus to China's manufacturing exports, and in the Internet industry under the digital economy, most SMEs have a unified identity - Cross-border E-commerce [7]. Therefore, the study of Chinese SMEs' exports in the context of digital economy should focus on: the study of Cross-border E-commerce export trade under the digitization of Chinese industries.

## 2. Statuses of E-commerce Exports

### 2.1. Facing the Impact of the COVID-19, Foreign Trade Reverses Against the Trend

In the context of China's digital economy, SME exports are mainly clustered in Cross-border E-commerce exports, and the share of China's Cross-border E-commerce in China's import and export trade is increasing. In 2020, when the epidemic was under control in China, the total amount of Cross-border E-commerce imports and exports even saw a "V" growth [8]. In 2020, the import and export of the customs Cross-border E-commerce supervision platform was 187.39 billion yuan, with a 52.8% year-on-year growth rate much higher than the 0.7% growth rate of the total import and export value of China's trade in goods in the same period. The incremental performance of Cross-border E-commerce import and export in many places has been remarkable: the total amount of Cross-border E-commerce import and export goods in Wuhan Tianhe Airport Express Center has reached a record high, and as of November of the same year, the total amount of import and export goods first broke 6.06 million votes, an increase of nearly 300%; Guangdong Cross-border E-commerce import and export of 104.78 billion yuan, an increase of 25.1%; Suzhou supports enterprises to carry the rapid export of China-EU trains, and the total release of Cross-border The general export (9610 mode) list of E-commerce 1,681,100 votes, an increase of 270% compared with the same period last year.

### 2.2. The Scale of Export Cross-border E-commerce Continues to Grow Rapidly

The global E-commerce market continues to expand, emerging markets are in a rapid development stage, and the diversity and differences in demand of countries along the "Belt and Road" have opened up market space for the development of Cross-border E-commerce for SME exports. As shown in [Figure 1](#), while SMEs continue to innovate in export volume as Cross-border e-merchants, their own scale is also expanding. From the perspective of the scale of export Cross-border E-commerce, the average annual growth of China's export Cross-border E-commerce transactions has reached 28.3% since 2008 [9].

The main reason is that the national Internet and communication infrastructure continues to improve, small and medium-sized enterprises with the continuous improvement of Cross-border E-commerce platform, with lower transaction costs for export foreign trade, rapid development. Even if the current foreign trade market is facing weak growth, traditional foreign trade SMEs can use the new carrier of Cross-border E-commerce to complete the transformation and change the situation of declining revenue, slowing growth and decreasing profits of foreign trade SMEs [10].

At the same time, China has introduced a number of policies favorable to the development of Cross-border E-commerce, and strongly supports the transformation of foreign trade SMEs to Cross-border E-commerce. In the progress of digital economy cooperation carried out by APEC, China has actively participated in various cooperation on digital economy carried out under APEC, creating more convenient conditions for exporting Cross-border E-commerce.[11]

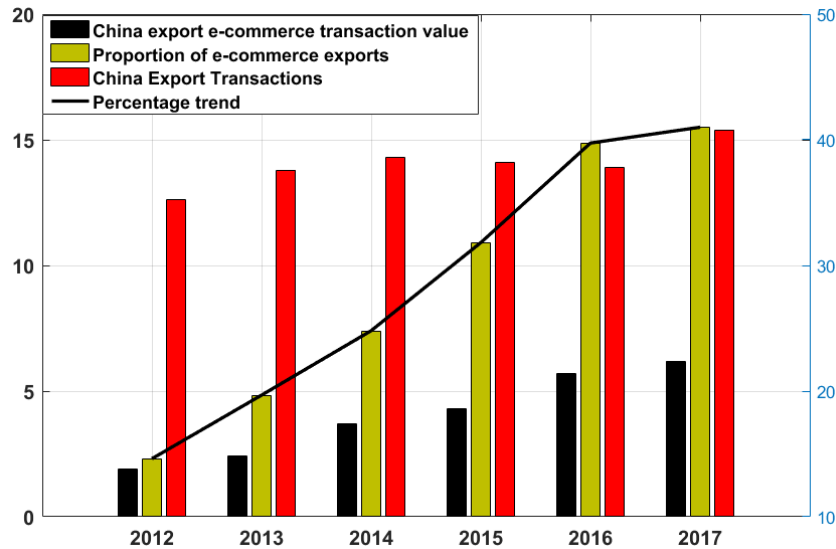


Figure 1. Transaction growth rate of major export countries in China's Cross-border E-commerce emerging markets (2017-2019)

### 2.3. Emerging Markets become an Important Position for Export Cross-border E-commerce

From the past ten years, the main countries and regions of China's Cross-border E-commerce exports include the United States, Japan, Malaysia, Indonesia, Thailand, Singapore, Russia, South Korea and so on. With the accelerated development of economic globalization, the gradual implementation of Cross-border E-commerce policies, the increasing purchasing power of national consumption, emerging markets are increasingly becoming a potential source of power for the growth of China's export Cross-border E-commerce [12].

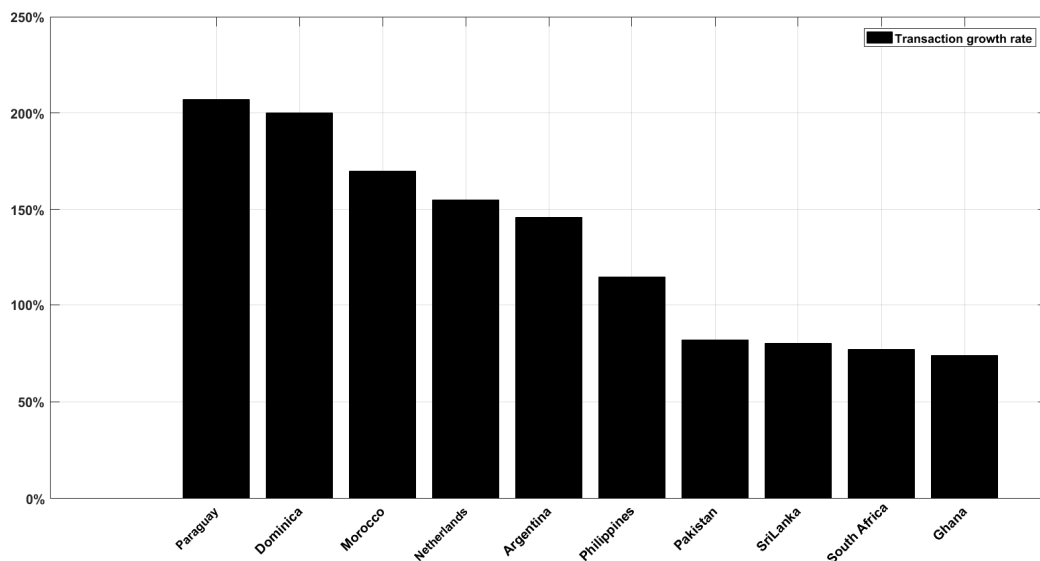


Figure 2. Transaction growth rate of major export countries in China's Cross-border E-commerce emerging markets (2017-2019)

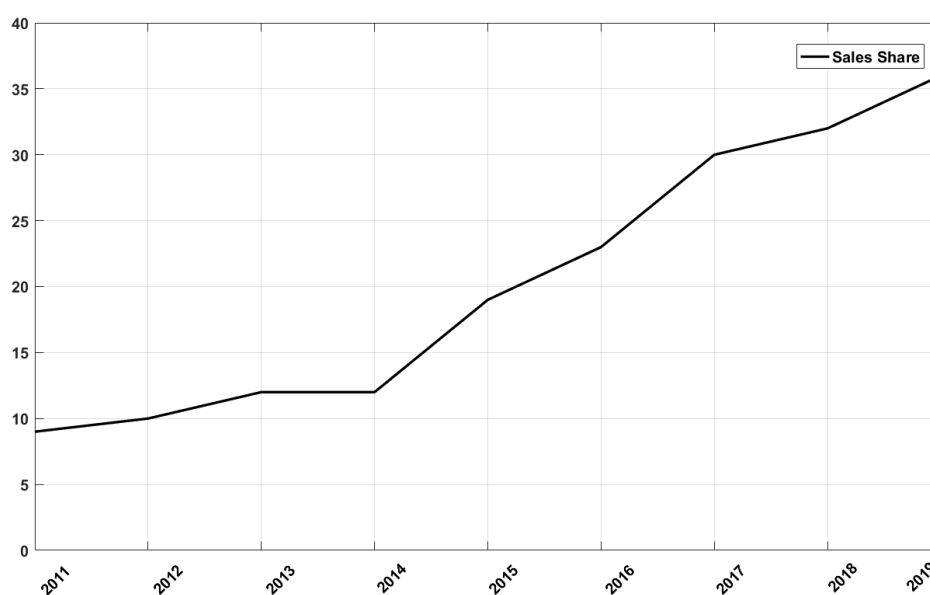
Source: 2020 Cross-border E-commerce Export Development Report

At present, the European and American markets are still in the main export market of Cross-border E-commerce exports in China. But the Asia-Pacific, the Middle East, Latin America and other emerging markets export volume growth rapidly, especially in Latin America is China's most rapidly growing Cross-border E-commerce in recent years. as can be found in [Figure 2](#), the overall increase in Cross-border E-commerce transactions between Latin American countries and Chinese exports are high, all exceeding 50%. Among them, Paraguay and Dominica are the most, exceeding 200%. Morocco, Netherlands, Argentina and the Philippines, whose growth rate exceeds 100%. With the ongoing implementation of digital economy cooperation involving China under the APEC framework, China's export Cross-border E-commerce will continue to usher in a number of emerging markets.

#### 2.4. Construction of Independent Brand

In the process of China's deepening digital industrialization, small and medium-sized foreign trade enterprises have transformed into Cross-border E-commerce to promote the growth of China's exports. On the basis of continuous improvement of products and services, SMEs try to choose high-quality and reliable Cross-border E-commerce platforms, build efficient Cross-border E-commerce teams, improve their own brand marketing capabilities, cooperate with overseas media, cooperate with overseas E-commerce platforms, realize the localization of brand product marketing, and promote the construction of their own brands [13].

Cross-border E-commerce for Chinese SMEs is increasingly focused on enterprise own branding and marketing refinement. The main performance is in two aspects. First, Chinese foreign trade SMEs use Cross-border E-commerce platforms to promote the construction of their own brands and produce quality goods with market competitiveness. Second, the increasing branding rate of Chinese export Cross-border E-commerce products has forced the transformation of China's foreign trade. While Chinese companies are attracting buyers by offering high quality and branded products, Cross-border E-commerce is also making Chinese brands available to global buyers through multiple channels. as shown in [Figure 3](#), Chinese Cross-border E-commerce branded product sales are increasing year by year, indicating that the branding rate of Cross-border E-commerce products is increasing [7].



**Figure 3.** Percentage of sales of branded products in Cross-border E-commerce in China (2011-2019)

Source: China E-commerce Research Center

### **3. Factors Influencing the Exports of Chinese SMEs in the Context of APEC Digital Economy**

#### **3.1. Rapid Development of Information and Communication Technology**

Information infrastructure is necessary to promote the development of the Internet and digital economy base, APEC has always attached importance to cooperation in the field of information and communication technology. According to statistics, the number of cooperation projects carried out by APEC related to the promotion of digital infrastructure development is heavy, a total of 109 cooperation projects [14]. APEC member countries also generally attach importance to the construction of digital infrastructure and actively participate in relevant cooperation projects. The aim is to narrow the digital divide between countries, reduce transaction thresholds and transaction costs, and achieve further development of trade facilitation.

The development of information technology and the Internet, on the one hand, has reduced the access cost of access countries, will improve the quality and speed of access, which means that the degree of information resource sharing has also increased, and the constraints of small and medium-sized enterprises in various countries by time and space have been reduced. At the same time also reduces the time money, human and material resources generated by the operation of foreign trade on line. It effectively reduces transaction costs and improves the competitive advantage of exports. The high popularity of networking greatly facilitates foreign trade activities of SMEs.

In addition, under the impact of the epidemic, the highly developed Internet technology has triggered new business models. For example, live commerce and other business models, according to statistics in 2019 China live commerce with the scale of about 400 billion yuan. The rapid development of information and communication technology has undoubtedly given a huge boost to the exports of Chinese SMEs.

#### **3.2. Expansion of International Market**

APEC has made remarkable achievements in promoting trade facilitation, investment facilitation and regional economic integration, especially in the construction of regional economic integration. the TPP and RCEP under the APEC framework are the two most important regional trade arrangements, which have deepened regional economic integration and strongly promoted the export trade of Chinese SMEs.

Since 2006, APEC's 21 members have initiated a total of 335 digital economy cooperation projects covering eight areas. Among them, the rapid development of Cross-border E-commerce and digital trade has expanded international markets and facilitated intensive import and export trade among its member countries.

China has continued to respond to APEC's economic cooperation on the digital economy, and member countries have also increased their focus on and active participation in the digital economy. China's cooperation with member countries on the digital economy has expanded and cooperation projects have increased [15]. in recent years, the main countries and regions of China's Cross-border E-commerce exports include the United States, Japan, Russia, South Korea, Malaysia, Indonesia, Thailand, Singapore, etc. Among them, the proportion of APEC member countries is extremely high, and they are increasingly becoming potential power sources for the growth of China's export Cross-border E-commerce.

#### **3.3. Promotion of Digital Economy Support Policies**

APEC's cooperation on the digital economy covers a wide range of specific areas. For example, APEC established the APEC Cross-border Privacy Implementation Arrangement in 2010, the APEC Initiative to Promote Cooperation in the Internet Economy in 2014, the APEC Initiative

on Cross-border E-commerce Innovation and Development, the APEC Digital Economy Action Plan in 2018, and a series of other strategic plans. The innovative application of information and communication technology, E-commerce, and digital infrastructure construction are the entry areas, and they continue to be derived at a deeper level, such as Cross-border transmission of data resources and data privacy protection, so that the digital economy cooperation areas in the Asia-Pacific region can be expanded and the content of cooperation can be deepened [16].

APEC has proposed the "pathfinder approach" to accommodate the differences in information infrastructure, economic development levels, and social systems among its member countries. APEC creatively proposed this cooperation project with the aim of adapting to the diversified characteristics of its members and mobilizing their enthusiasm for cooperation, so as to achieve more effective cooperation. The "Pathfinder Approach" has realized the innovation of operation mechanism and strongly promoted the transition from unilateral action to collective action of APEC members.

As a large developing and digital country, China has actively participated in digital economy cooperation projects under the APEC framework, including consolidating the foundation of digital development, supporting digital infrastructure and interoperability, and maintaining the digital economy ecology [17]. By making full use of its experience and advantages, it will continue to help China's SMEs grow their exports and continue to play a role in APEC's digital economy cooperation and global digital governance by enhancing cooperation and exchange and actively participating in digital governance.

## **4. Policy Recommendations for Chinese SMEs to Promote Exports in the APEC Digital Economy**

### **4.1. Scientific Planning and Strong Data Application**

First of all, Chinese SMEs have a relatively weak foundation, insufficient capital and poor risk resistance. When conducting foreign trade exports, it is more important to have a clear overall strategic plan. In the context of the development of the digital economy, enterprises should develop different master plans for Cross-border E-commerce development according to the different characteristics of the new production and business models brought about by the digital economy. And be sure to cover a range of issues such as business objectives, timing of entry, model selection, order of business, implementation plan, profitability model, etc.

For example, how do companies choose a Cross-border E-commerce platform? What is the basis of selection? Should they consider using the Cross-border E-commerce platform to carry out their own export operations or join the supplier team of the Cross-border platform? Secondly, in the era of digital economy, the value of data is maximized. Foreign trade export enterprises should strengthen their own application of big data to analyze the market and grasp the ability of the market. You can also rely on the massive data deposited by the E-commerce platform to improve operational efficiency and achieve accurate marketing. Big Data is applied to internal operations (optimizing websites, improving online store operations, enhancing customer satisfaction, forecasting demand, etc.), external marketing (channel optimization, accurate delivery of marketing messages) and high-level decision-making.

Finally, SMEs should take a long-term view and choose long-term strategic overseas markets with an eye on the digital economy cooperation carried out under the APEC framework.

### **4.2. Innovation and Development, Actively Build Their Own Brand**

At present, most of Chinese SMEs is mainly operating products to take the good quality and low price, thin profit export route. Product technology content is not high, mostly primary products, handicrafts, etc. Independent branding awareness is not strong, the lack of core

competitiveness. With the increasing development of the digital economy, China's small and medium-sized export foreign trade development is taking shape, and the infrastructure in logistics, marketing and other aspects is becoming more and more perfect.

The small and medium-sized foreign trade export enterprises should strengthen the sense of corporate innovation. In product development and design, marketing methods, product structure need to be vigorously innovative. Reasonable use of big data and other information and communication technologies to tap into overseas market information, implement differentiated marketing, enhance consumer experience and build Chinese brands. Focus on the quality of products and services, focus on the core competitiveness of enterprises, rooted in branding operations, is the road to transformation and upgrading of foreign trade export enterprises.

### 4.3. Respond to the Policy and Follow the Trend

For foreign trade export enterprises in the context of digital economy, it is important to follow the trend of digital economy development, respond to the government's policy of supporting foreign trade exports of E-commerce, and make good use of mature Cross-border E-commerce platforms.

First, China has responded positively to the digital economy cooperation carried out by APEC by introducing favorable policies and supporting the development of E-commerce and small and medium-sized foreign trade enterprises. On this basis, small and medium-sized export foreign trade enterprises should be good at using the government's favorable policies. For example, actively respond to the government's various preferential subsidies for Cross-border E-commerce to reduce operating costs. Rely on government-supported infrastructure development, establish Cross-border marketing channels, logistics channels and strengthen customer relationships. The Chinese government's support for Cross-border E-commerce continues to escalate, and foreign trade exporters, should actively integrate into the government's strategic planning to comply with the government's development direction and obtain dividends in the long-term strategic planning.

Second, China's major export Cross-border E-commerce platforms tend to mature. According to the different operation methods, China's Cross-border E-commerce platforms are divided into two major categories. One is pure Cross-border E-commerce platform. For example, there are Alibaba International Station, Dunhuang.com, eBay, Made in China, Global Express, etc. The other is a Cross-border E-commerce platform that mixes self-operated and platform. For example, Dalong.com, Lanting.com, Amazon, etc. China's small and medium-sized foreign trade export enterprises should actively respond to national policy trends, but also should take the initiative to understand the basic situation of the major domestic Cross-border E-commerce platform. Such as the type of platform operation, logistics service facilities, export scale, product types, major export markets, etc., so as to reasonably select the Cross-border E-commerce platform.

## References

- [1] C.Y. Liu. 30 Years of APEC: Review and Prospects of the Asia-Pacific Regional Economic Cooperation Process. *Contemporary World*, 2019(11):7.
- [2] K.J. Li, W.R. Q. An empirical analysis of the factors influencing the sustainable development of China's foreign trade [J]. *The Economist*, 2012(7):9.
- [3] Y. Wang. Study on the interaction between China and APEC [D]. Nanjing Normal University, 2018.
- [4] J. Liu, E.L. Chen and Z.T. He: *Journal of Shi Jia Zhuang Railway Institute (Natural Science)*, Vol. 22 (2009) No. 4, p.40-42.

- [5] J.Y. Shi, APEC Digital Economy Cooperation: Effectiveness and Evaluation[J]. International Economic Cooperation, 2018(10):5.
- [6] M.L. Zhang. Research on the competitiveness of small and medium-sized enterprises in the context of the Internet era [D]. Jiangxi Normal University.
- [7] G.R. Sang. Research on the development of Cross-border E-commerce for small and micro foreign trade enterprises in China[D]. Jilin University of Finance and Economics, 2019.
- [8] J.D. Dong. Challenges to the world economy and China's response to the contagion shock of the epidemic [J]. 2020.
- [9] C.T. He. Cross-border E-commerce. Export [M]. Economic Science Press, 2016.
- [10] C.Y. Zhou. Bottlenecks and countermeasures faced by small and medium-sized Cross-border E-commerce exports [J]. China Economic and Trade Journal, 2019(12Z):3.
- [11] Ministry of Commerce. 2018 China E-commerce Report [R]. Ministry of Commerce, 2019 (05).
- [12] C. Yu. The current situation, development trend and transformation strategy of China's export Cross-border E-commerce [J]. Business Economics Research, 2019(10):4.
- [13] W.Q. Ou, X.Y. Zhong. The road of Cross-border E-commerce for China's foreign trade export enterprises[J]. Price Monthly, 2015, 000(012):82-85.
- [14] Based on information from APEC Project Database. <https://aimp2.apec.org/sites/PDB/default.aspx>.
- [15] Y. Zhang. Exploring the development of Cross-border E-commerce in the context of the new economic normal [J]. Business Economic Research, 2018(7):4.
- [16] J.Y. Shi. Recent Progress and Prospects of APEC Digital Economy Cooperation[J]. International Economic Cooperation, 2020(1):8.
- [17] J.X. Yang. Government Participation in the International Development of China's Digital Economy. Beijing Foreign Studies University, 2019.