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# Research on the Impact of Cross-Border E-Commerce on Trade Between China and Mongolia

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**Abstract:** The smooth implementation of the “belt and Road Initiative” has also promoted the development of multinational economy and trade, among which cross-border e-commerce, as an emerging means of transaction, is gradually developing into the preferred way of transaction for all countries. Mongolia is an important partner of China with close relations. The level of cross-border e-commerce and international trade cooperation between the two countries is still lagging that of other countries along the belt and road. Starting from the actual national conditions and economic and trade development foundation of the two countries, this chapter analyzes the impact of cross-border e-commerce development on China-Mongolia international trade cooperation, and provides countermeasures for promoting the development of bilateral cross-border e-commerce.

**Keywords:** Cross-Border E-Commerce; China and Mongolia; Trade Influence

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## Introduction

Since 2016, China has signed memorandums of cooperation on e-commerce with many developed countries and formed bilateral cooperation mechanisms on e-commerce, covering five continents in the world. The Silk Road and e-commerce are forming new channels for trade cooperation with many countries. China's cross-border e-commerce market has developed by leaps and bounds in the year to 2018. Compared with last year, it increased 49.3%. China's cross-border e-commerce market is developing steadily, the total volume of trade continues to expand, and the internal structure of the market is optimized and improved. On January 1, 2019, China re-adjusted its regulations on retail tariffs for cross-border e-commerce products, raised the upper limit of products eligible for preferential tax policies, and expanded the categories of products eligible for preferential tax policies. It is predicted that by 2020, the scale of cross-border e-commerce trade in China will exceed 12 trillion yuan, and in almost every EU country, China is the first choice of online shoppers in their latest cross-border online shopping. China's cross-border e-commerce has achieved considerable development in recent years. Mongolia, as China's northern neighbor, has huge geographical advantages and is also one of the important countries in China's "One Belt and One Road" development strategy. The two countries have complementary advantages in economic and trade cooperation mode. Therefore, China is also Mongolia's largest foreign trade partner and the largest investor. The economic and trade development of China and Mongolia presents a state of single structure, especially the relatively slow progress in the field of infrastructure construction in Mongolia, which restricts the development of trade between China and Mongolia. Therefore, this paper has important reference significance for the foreign trade development of China and Mongolia by studying the influence of cross-border e-commerce on the foreign trade development of China and Mongolia.

## 1. Current situation of China-Mongolia trade development

Mongolia's International Economic Complexity Index (ECI) is -0.788, making it the 96th largest export economy in the world and the 93rd most complex economy in the world. China is also the largest exporter and importer of Mongolia and established China's first mid - and long-term economic and trade agreement in 1986. In particular, the bilateral market trade relationship has started to develop vigorously, and the growth of economic and trade between the two sides has been steadily

increasing. Meanwhile, China and Mongolia have worked together to link the Belt and Road Initiative with the Grassland Road Initiative, which has considerable advantages for the development of the two peoples and the construction of the China-Mongolia economic and trade corridor. In 2012, the bilateral trade volume between China and Mongolia was nearly 8 billion yuan, while according to the website of Mongolia's Ministry of Commerce, China's annual online trade volume was about 100 million yuan. In 2014, Hohhot's e-commerce platform "City Shop" for Mongolia was officially launched, which is the first large-scale comprehensive one-stop e-commerce platform for Mongolia in China. It has also introduced B2B and B2C cooperative business models with vertical structure, and successfully built a comprehensive connection between manufacturing enterprises, logistics and distribution, online payment and other transnational e-commerce platforms. In 2016, the "Memorandum of International Logistics Cooperation" was signed at the China-Mongolia-Russia Cross-border E-commerce Conference and Global Logistics Forum, marking a new stage in the development of multilateral cross-border e-commerce cooperation among the three countries.

## **2. Analysis of the impact of cross-border e-commerce on bilateral trade**

### **2.1 Leveraging cross-border e-commerce to transform local industries**

For the traditional foreign trade companies of the two countries, by participating in international e-commerce platforms, making full use of the resource advantages of the cross-border platforms of the two countries and establishing interactive channels directly facing consumers, the transmission speed of local characteristic goods to foreign markets is further accelerated. This will enable the people of the two countries to consume more accurate market information and more customized goods and services, break through the inherent marketing concepts of both sides, complete the transformation and upgrading of local traditional industries, and thus promote the continuous improvement of the living standards of the people of the two countries.

### **2.2 Cross-border e-commerce has promoted the booming development of the cross-border express delivery industry**

Cross-border e-commerce has built a fast online channel between the two nationalities, which has also provided new development requirements for the logistics industry of China and Mongolia, promoted the logistics industry to move towards precise services, and further improved the business ability of express companies to cope with more complex demands. Cross-border e-commerce trade, whether products are imported or exported, must be delivered through the logistics distribution system before trade can be carried out. The rapid development of cross-border e-commerce will further reduce the production cost of China's border trade with Mongolia, promote the development of transnational express delivery industry, and open up a broader market for the development of China-Mongolia trade.

### **2.3 Cross-border e-commerce has enabled China and Mongolia to complement each other in economic and trade**

China's development of cross-border e-commerce and other cooperation is based on the special national conditions and economic and social basis of its partner countries, which also reflects the complementary economic and social advantages of the two countries. For example, China and Panama have signed an agreement on e-commerce cooperation. In order to provide the logistics and tourism interactive platform of the two countries to bring better financial services, China has also adopted the cooperation method of online platform with Russia, Argentina and other countries to directly flow the goods with local characteristics into the foreign market. For both China and Mongolia, Mongolia has a large demand for plastic products such as clothing and other industrial finished products made in China, while China has a greater demand for mineral raw materials and cashmere wool products rich in Mongolia. Therefore, the two sides have established a benign economic complementary benefit.

### **3. Countermeasures and Suggestions**

#### **3.1 Connecting with China and Mongolia and surrounding e-commerce transport channels**

The cross-border e-commerce cooperation between China, Mongolia and Russia involves many aspects, which is also one of the key directions of China's economic and trade corridor construction with Mongolia and Russia. Based on Erenhot and other important port cities, China will establish cross-border trade platforms for more countries, further strengthen the coordination of international transport, establish global transport channels, and maintain good economic exchanges and interactions with Mongolia. At present, China, Mongolia and Russia have signed a memorandum of understanding on cross-border e-commerce and global logistics cooperation, and the two sides have established a cooperation mechanism of regular meetings, which will help small and medium-sized enterprises around the world to open up e-commerce logistics channels.

#### **3.2 improving cross-border e-commerce infrastructure**

At present, Inner Mongolia's railway infrastructure construction situation is worrying. The domestic railway is only a single-track railway system running through the north and south and several branches under it, which has been unable to meet the needs of cross-border e-commerce logistics development between China and Mongolia. Currently, goods from both countries can be transported directly through grasslands or simple roads, so it is necessary to improve road facilities as soon as possible. In addition, the establishment of public information infrastructure, such as network and communication, will form a comprehensive interconnection layout, promote the establishment of bilateral trade ports and free trade zone, and lay a solid foundation for Chinese enterprises to develop transnational e-commerce and global logistics distribution.

#### **3.3 Optimizing cross-border logistics services and level of information construction**

The cross-border e-commerce model needs to further improve the informatization construction and management level of China and Mongolia, and the logistics and distribution companies in China and Mongolia need to improve their service level, especially to reduce the time of logistics and distribution. Fast and convenient logistics operation service is a key aspect to ensure cross-border e-commerce services. The cross-border e-commerce cooperation between China and Mongolia will establish a unified logistics business operation capacity, further improve supply chain services, and accelerate the construction of an international logistics trading platform. Between the two countries should improve the overseas warehouse layout, innovation of overseas warehouse construction patterns and establish public overseas warehouse system, and will block chain, Internet and other emerging technologies into cross-border e-commerce logistics distribution scenario, from customer orders to the back-end seamless logistics services, so as to achieve better information logistics chain as a whole.

#### **3.4 Innovating regulatory systems and business models for cross-border e-commerce and promote their development**

There are huge differences in consumption preference, infrastructure, market structure and government regulation system between China and Mongolia, so it is of great importance to build a reliable social credit system. In view of systemic problems such as customs declaration, tax collection and management, commodity quality supervision and logistics distribution services, we should innovate the regulatory system and business model of cross-border e-commerce, constantly improve the quality of customs clearance services, and create faster, safer and stable customs clearance services. In order to

promote the joint development of China-Mongolia cross-border e-commerce enterprises, we will actively attract well-known domestic and foreign cross-border e-commerce enterprises such as Alibaba, eBay, Xiaohongshu and Gome to jointly promote the transformation and upgrading of China's economy.

## **Conclusion**

In recent years, with the steady recovery of the economic development momentum of all countries in the world, the general trend of our country's alliance cross-border transaction is increasingly moving to the international online e-commerce platform. Cross-border e-commerce has become an important "land Silk Road" and "air Silk Road" between China and Mongolia and Russia. As an effective carrier of bilateral interactive development, it is of great significance to increase economic exchanges between China and Mongolia, reduce investment transaction costs, optimize the allocation of social resources and establish an international efficient cooperation platform.

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