

Influence and Response of China's Cross-border E-commerce Exports under PHEIC —Take COVID-19 as an Example

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Abstract—PHEIC, which appears more and more frequently, has had a significant impact on the world economy, especially the economy of the affected countries. For export-oriented countries, PHEIC also has an impact on the country's foreign trade development. This paper takes COVID-19 as an example to explain the impact of PHEIC on China's cross-border e-commerce exports, and proposes countermeasures from the government, cross-border e-commerce platform and enterprises.

Keywords- PHEIC; COVID-19; Cross-border E-commerce Export

I. Introduction

According to the International Health Regulations (2005), PHEIC is an unusual public health event determined by special procedure, including the following two points: (1) It poses risks to public health in other countries through the international spread of disease; and (2) Countries around the world may need a coordinated international response. Up to now, the WHO has announced 6 PHEICs since the PHEIC mechanism established. They are: the first H1N1 influenza outbreak in Mexico and the United States in 2009; the Ebola outbreak in West Africa in 2014; Wild polio epidemic in 2014, Zika virus of Brazil in 2016, Ebola epidemic in DRC in 2019, and COVID-19 outbreak in China. PHEIC not only poses a major threat to people's lives and health of the affected countries, but also has a significant impact on the economic and social development of the countries. For export-oriented economies, PHEIC will also have a significant impact on the country's foreign trade development. This paper takes COVID-19 started from Wuhan China as an example to analyze the influences and countermeasures of China's cross-border e-commerce export. For the countries deeply embedded in the global Supply Chain, how to do better under PHEIC, that is very important to the country's cross-border e-commerce and foreign trade.

II. DEVELOPMENT STATUS OF CHINA'S CROSS-BORDER E-COMMERCE EXPORTS

A. China's total cross-border e-commerce exports continue to grow rapidly

According to data (Fig.1) from the Qianzhan Industry Research Institute, the scale of China's cross-border e-commerce export transactions was 2.7 trillion yuan in 2013, and the figure reached to 7.1 trillion yuan in 2018, with an average annual growth rate of 21.55%.

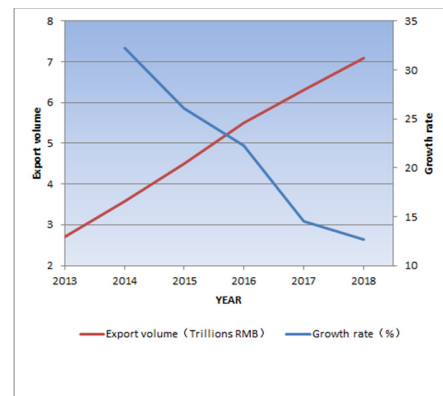


Figure 1 Volume and growth rate of China's cross-border e-commerce exports in 2013-2018

Data Sources: Qianzhan Industry Research Institute

B. B2B cross-border e-commerce is in a dominant position, but B2C is developing rapidly

B2B cross-border e-commerce is still in a dominant position in China's cross-border e-commerce exports, the transaction value of B2B export account for more than 80% of the total cross-border e-commerce exports, but the ratio is decreasing year by year, while B2C develops very rapidly. According to the Qianzhan Industry Research Institute, in 2013, the B2C export volume was 0.4 trillion yuan, accounting for 14.1% of China's cross-border e-commerce export volume. In 2018, the proportion rose to 19.7%, this indicates that the B2C development of China's cross-border e-commerce should not be underestimated.

C. China's cross-border e-commerce exports are mainly low-cost, highly standardized products

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China's cross-border e-commerce exports are mainly 3C electronic products, followed by textile and apparel products, these means China's exports of cross-border e-commerce products are mainly concentrated in some low-cost, highly standardized products. This kinds of products are diversified and meet the needs of emerging markets¹.

III. INTRODUCTION OF COVID-19

COVID-19 whose full name is Coronavirus Disease 2019, can cause acute infectious pneumonia in humans. This coronavirus is a novel coronavirus that has never been found. The patients' initial symptoms mostly are fever, fatigue and dry cough, gradually develop to dyspnea, and even may die. COVID-19 first appeared in Wuhan, Hubei province China in December 2019.

People who have the disease for sure in China were over 70,000 until February 23, 2020. The epidemic spread to 23 other countries and regions, such as Japan and South Korea and Singapore. On January 31, 2020, COVID-19 was announced as PHEIC by WHO. Up to now, the world lacks effective antiviral drugs against the virus, the main treatment is isolation treatment and symptomatic support treatment.

In order to reduce the spread of the epidemic, Wuhan has been cut off from other cities. In addition, the Chinese government has postponed the reopening of schools and factories, residents have to wear mask when they going out.

IV. THE INFLUENCES OF PHEIC TO CHINA'S CROSS-BORDER E-COMMERCE EXPORT

The disease appearing in PHEIC is contagious, and the spread of the disease not only seriously affects the public health of the country, but also brings risks to the public health of other countries. Under PHEIC, most countries especially severely affected countries, will take certain measures to reduce the spread of infection. In this case, PHEIC would pose a serious threat to the health and safety of the people in these countries, and the country's normal economic activities would be damaged in the PHEIC for a certain period of time.

Now the paper will take COVID-19 as an example to explain the impacts of PHEIC on China's cross-border e-commerce exports from macro and micro aspects.

A. Analysis from macro aspect

1) Analyzing from the total, the influences of COVID-19 to China's cross-border e-commerce exports is large in the short-term, but little in the long-term.

The COVID-19 coincides with the Chinese Lunar New Year. In order to curb population flow and prevent the spread of the epidemic, the Chinese government announced the extension of the Chinese New Year holiday and postponed the start of work. More than half a month, the Chinese domestic logistics and most manufacturing almost stopped. In addition, some international flight and rail

transportation have been suspended. China's cross-border e-commerce exports will get a hit hard in February-April 2020 by this series of actions. Under the powerful measures taken by the Chinese government, the epidemic will be effectively controlled as the temperature rises after April, 2020. The China's cross-border e-commerce exports will usher in a strong rebound, and the suppressed demand and production will be released. So for the whole year, the COVID-19 has limited impact on China's cross-border e-commerce exports.

2) Analyzing from the cross-border e-commerce operation model, the impact on B2C is greater than the impact on B2B

On the one hand, B2B sellers and buyers are generally old customers, their cooperation relationship is relatively stable; on the other hand, the purchase behavior of business buyers is more rational than personal buyers; finally, the transaction range of B2B is wider than B2C. Besides consumer goods, the transaction range of B2B also includes raw materials, intermediate products, machinery and other production materials.

3) Analyzing from the product categories, it has a greater impact on food and products closely related to food hygiene and safety

On the one hand, because of the contagiousness of the novel coronavirus, foreign consumers are more worried about the hygiene and safety of China's food; on the other hand, because of the COVID-19, the inspection and quarantine requirements to Chinese's foods have been raised. These not only increase the trade risks of cross-border e-commerce exporting enterprises, but also increase their export cost.

4) Analysis by region ,the impact on the cross-border e-commerce exports of Hubei Province is the biggest

COVID-19 broke out in Wuhan Hubei province, Hubei is the worst-hit area. After Wuhan city was lockdown from Jan23, 2020, some other cities in Hubei province also were lockdown. As far as now, except for anti-epidemic materials and safeguard materials, logistics in Hubei has been stopped. These factors will undoubtedly cause cross-border e-commerce in Hubei to be hit hard.

B. Analysis from micro aspect

1) China's small, medium and micro cross-border e-commerce companies suffered a heavy loss for the cancellation of the order and rejection of the parcel

People will have a huge sense of insecurity under PHEIC, and this sense will affect people's behavior. With COVID-19 was announced to be PHEIC, foreign consumers worry that Chinese goods may be infected with viruses, so B2C packages were rejected, the plans to place orders were canceled, foreign buyers who have placed or intend to place orders also canceled orders.

Some sellers from AliExpress, Amazon and wish said

¹ Xiaoyue Deng, *China's cross-border export e-commerce contributes to the new development of foreign trade [J], Modern marketing (wealth creation information edition), 2018(12): 209.*

their sales fell off to 70% in January 2020 and the loss in February would be even more. Not only that, some normal replenishment products that reached overseas warehouses in December 2019 were also returned because the products may carry viruses. Under the influence of COVID-19, some B2B sellers' payment also was delayed.

2) For the postpone of the start of work and disruption of logistics, the cross-border e-commerce export supply chain broken

Under PHEIC the normal economic order of the affected countries is usually disrupted, such as China under COVID-19. Up to February 20, 2020, many small and medium-sized enterprises are still in a shutdown state, and even large enterprises have not resumed working fully. As to international logistics, due to the suspension of flights, air cargo capacity to and from China declined, this made the backlog of China's export order serious. Affected by delay of production and disrupted logistics, China's cross-border e-commerce export supply chain has broken.

3) Inspection and Quarantine requirements to Chinese exports is rising

Countries will raise the requirements of inspection and quarantine of the Chinese goods due to the worrying about virus. For some buyers, it is a good chance to forcing sellers to cut price. Some B2B buyers took advantage of COVID-19 to ask the sellers to reduce their price; otherwise they would not pay or pick up the goods.

V. THE COUNTERMEASURES OF CHINA'S CROSS-BORDER E-COMMERCE EXPORT UNDER PHEIC

A. For government

Under PHEIC, the government should effectively evaluate the impact of the epidemic on different industries and develop corresponding measures. For cross-border e-commerce exports, the government can develop measures on taxation, rent, and finance and so on. The Chinese government formulated some policies to help companies to fight against COVID-19. For example, the Shanghai Municipal Government has adopted policies such as reducing or exempting corporate rents, deferring tax declarations, granting tax incentives, and exempting the tax burden on individual industrial and commercial households on a regular basis. CCPIT issues Force majeure certificate promptly to alleviate the seller's responsibility for non-performance of contracts due to COVID-19. In addition, the government must fulfill its responsibility in diplomatic to eliminate misunderstandings of foreigners to the epidemic.

B. For Cross-border e-commerce platform

In cross-border e-commerce, the dependence of platforms and sellers is very strong. The cross-border e-commerce platforms can make a role to reduce the loss of the sellers under PHEIC, such as the measures of the various mainstream cross-border e-commerce platforms to COVID-19. Amazon, Ebay, Shopee and other platforms

provide "vacation mode" for Chinese sellers who cannot deliver goods, and these platforms have also relaxed their requirements in terms of "product off shelf", "delivery on time" and "estimated delivery time". China's cross-border e-commerce platforms such as Alibaba, AliExpress, and Jollychic have also adjusted the platform's operating rules to help cross-border e-commerce sellers overcome difficulties.

C. For enterprises

Under PHEIC, cross-border e-commerce sellers can take measures from the following aspects to reduce losses. Firstly, let the buyers know the facts and latest situation of the epidemic. Of course, if the buyer does not mention it, the seller does not need to explain. Secondly, check the stock in time and work closely with the suppliers. Thirdly, pay close attention to the customs policy of other countries, know their inspection and quarantine requirements, and confirm the goods can be cleared or not. Fourthly, establish warehouse faster. Because the goods are delivered locally, the loss to seller is little. Finally, promote the diversification of cross-border e-commerce export markets and diversify risks.

For example, because of COVID-19, many European and American countries suspended flights to China, but countries along "the Belt and Road", such as Russia, Pakistan, Thailand, and Cambodia maintained a smooth flow of goods with China. Therefore, cross-border e-commerce export enterprises should vigorously explore emerging markets and accelerate the development of markets in countries and regions along "the Belt and Road" to diversify risks.

VI. CONCLUSION

Since the 21st century, China has experienced two large-scale infectious epidemics: SARS in 2003 and COVID-19 in 2019. At the time of the SARS outbreak, WHO had not yet established a PHEIC mechanism. The purpose of the establishment of PHEIC is to better cope with public health risks and reduce the international spread of diseases without causing unnecessary disruption in international trade. However, this paper shows that PHEIC brings a heavy blow to China's cross-border e-commerce exports in the short term, and has a greater impact on B2C and cross-border e-commerce exports of food hygiene and safety related products. From a micro perspective, the operating cost and risk of Chinese cross-border e-commerce sellers under PHEIC increase, and some sellers even have business interruption, some sellers even lost business.

This research links cross-border e-commerce with PHEIC, provides a reference for cross-border e-commerce to deal with PHEIC, and enriches the scope of cross-border e-commerce research. However, it is slightly inadequate that when analyzing the impact of PHEIC on China's cross-border e-commerce, due to the limitation of data acquisition, this article failed to obtain a more specific result through empirical measurement analysis, which is also the direction of future research.

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