Supporting SMMEs’ Cross-border E-commerce — Capacity Building

Preface

SMMEs are the backbones of economic growth and employment opportunities in APEC regions. As a major source of entrepreneurship and innovation, they also contribute to economic and social cohesion. Therefore, SMMEs deserve continuing attention and friendly policy environment so as to strengthen their competitiveness for further economic development and integration across the world.

ABAC recommends APEC leaders to adopt comprehensive approaches to accelerate innovative growth for SMMEs through policies to promote entrepreneurship and facilitate market-driven development, dissemination, and commercialization of cutting-edge technologies. ABAC encourages APEC leaders to launch capacity building programs to assist SMMEs to access international networking and gain opportunities for collaboration, thus helping internationalize SMMEs by means of methods including ICT tools and e-commerce platforms.

Over the years, ABAC has reached a consensus that e-commerce is one of the best ways to enable SMMEs to access finance, international markets, innovative growth.

According to a Nielsen’s report that surveyed across six major markets (the US, the UK, Brazil, Germany, China and Australia), there are 94 million cross-border shoppers, who will spend $105 billion this year, representing 16% of the total online sales in the six surveyed markets. This figure is expected to grow by 300% in the next five years, with the greatest growth coming from China.

A market worth over $300 billion is an unprecedented opportunity for SMMEs, hence, capacity building programs for cross-border e-commerce become an urgent and important topic to cover across APEC regions. However, lack of scalable capacity building programs has become one of the biggest obstacles hindering SMMEs’ access to the global markets and the internet finance.
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I. Cross-border E-commerce and SMMEs

Influenced by weak demand, high labor cost, lack of resources and liquidity after the global financial crisis, cross-border trade takes on a new look with smaller scale, higher frequency and greater share. The relatively high trading cost under the traditional means of international trade becomes a major momentum for the development of cross-border e-commerce (CBE). The advancement of the internet including big data and cloud computing as well as mobile technology further strengthens the trend.

1. Cross-border e-commerce: status quo and trend

(1) Current situation in general

E-commerce has become a future trend of world trade. According to the estimation of UNCTAD, the volume of CBE will take up 30-40% of the world’s total trade by 2015. In the six key CBE markets of the world, namely, the USA, the UK, Germany, Australia, China and Brazil, the market volume is expected to exceed $300 billion by 2018, representing 16% of the total online shopping. Clothes, shoes, accessories, electronics, health and beauty products are up to now the most popular purchases among all. The global CBE market volume is expected to grow by 200% in the next five years, with the greatest growth coming from China. This significant and growing trend presents a huge opportunity for SMMEs as well as the conventional importers and exporters.

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<tbody>
<tr>
<td>US</td>
<td>34.1 million</td>
<td>$40.6 billion</td>
<td>UK, China, Canada, HK, Australia</td>
<td>41.8 million</td>
<td>$80.2 billion</td>
</tr>
<tr>
<td>UK</td>
<td>15.9 million</td>
<td>£8.5 billion</td>
<td>US, China, HK, Germany, Ireland</td>
<td>18.5 million</td>
<td>£18.0 billion</td>
</tr>
<tr>
<td>Germany</td>
<td>14.1 million</td>
<td>EUR 7.6 billion</td>
<td>US, UK, Austria, China, Netherlands</td>
<td>15.8 million</td>
<td>EUR 11.0 billion</td>
</tr>
<tr>
<td>Australia</td>
<td>6.3 million</td>
<td>AUD 6.5 billion</td>
<td>US, UK, China, HK, Canada</td>
<td>8.4 million</td>
<td>AUD 16.6 billion</td>
</tr>
<tr>
<td>China</td>
<td>18 million</td>
<td>RMB 216 billion</td>
<td>US, HK, Japan, UK, Australia</td>
<td>35.9 million</td>
<td>RMB 1.0 trillion</td>
</tr>
<tr>
<td>Brazil</td>
<td>5.3 million</td>
<td>R$2.6 billion</td>
<td>US, China, HK, UK, Canada</td>
<td>9.4 million</td>
<td>R$16.8 billion</td>
</tr>
</tbody>
</table>

As the world’s factory, China is experiencing a rapid increase in cross-border e-commerce volume. The statistics from iResearch shows that the volume of China’s cross-border e-commerce reached 4 trillion RMB with an increase of about 30.6% on a year-on-year basis far outracing the increase of its international trade in the same period, occupying approximately 14.8% of the country’s total import and export volume.

Data released by China E-commerce Research Center (100EC.cn) shows that the volume of China’s CBE retail reached RMB 449.2 billion in 2014 through more than 10 thousand CBE-platforms increasing by 44%. China CBE accounts for 14.2% of the total trade reaching RMB 3.75 trillion with the growth rate as high as 38.9%. The total CBE volume of the country is expected to exceed RMB 6 trillion with an annual growth rate of 30% by the end of 2016.

(2) CBE development and the major forms

CBE Development: 3 stages
Cross-border e-commerce sprouted in late 1990s. With the development of information and communication technology (ICT), world CBE experienced tremendous growth within the 20 years afterwards. Take China, one of the world’s greatest CBE markets, for example, the development process of CBE can be divided into three periods. Stage I started from late 1990s to early 21 century with the function of CBE concentrating on information services for importers and exporters - the buyers and sellers only used the internet to get their information while the actual transactions were completed offline through traditional means. Alibaba yellow pages, China manufacturing net, EC21 from Korea and Kelly search were typical examples of this type of CBE platforms. In stage II, all steps of cross-border trade, including order, payment and logistics, can be realized online. This engaged more SMMEs in overseas transactions. DH gate.com and Alibaba from China are successful examples in this stage. In the past 1-2 years, main CBE companies are upgrading their platforms to provide more comprehensive services and using mobile technologies to accommodate transactions of larger scale and greater frequency based on their growing technological capabilities. This is making CBE the trend of international trade and an important driver for world economy.
Table 1-2: The 3 Stages of Cross-Border E-commerce

<table>
<thead>
<tr>
<th></th>
<th>Stage I</th>
<th>Stage II</th>
<th>Stage III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key words</td>
<td>Info, yellow pages, product display</td>
<td>Online transactions, supply chain, integrated services</td>
<td>One-stop service, bigger platforms, bigger users, bigger orders</td>
</tr>
<tr>
<td>Features</td>
<td>1. provide online yellow-page info services</td>
<td>1. the integration of product info, logistics, payment, CRM</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. membership fees collected by platforms</td>
<td>2. commission fees collected by platforms</td>
<td>1. participation of traditional large import and export enterprises</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2. upgraded platform services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3. mobile CBE becoming the mainstream</td>
</tr>
<tr>
<td>Successful examples</td>
<td>Alibaba, Global Sources</td>
<td>DH gate.com, Ali Express.com</td>
<td>DH.gate.com</td>
</tr>
</tbody>
</table>

Three Major Forms

The three major forms of CBE are C2C, B2C and B2B. C2C means consumer to consumer, as is indicated by its full name, the buyer and the seller in the transactions are all individuals. It happens occasionally and accounts for only a small share in all CBE transactions. C2C was not the main form of CBE in the past, nor will it be regarded by most as the mainstream in the future.

B2C, namely business to consumer, is at present the dominant mode of CBE. According to a joint research by Alibaba and Accenture, the global market scale of cross-border B2C exceeded $230 billion in 2014, and is expected to reach $1 trillion by 2020 with an average annual growth rate of 27%. The percentage of cross-border B2C in total will be 29% by 2020 increasing from the present 14%. The number of cross-border B2C consumers will reach 900 million from the present 309 million. In 2020, about half of all online consumers will conduct cross-border purchase. China, with its 200 million B2C consumers, will become the world’s largest cross-border B2C market. The Asia-Pacific region is by now the world’s most important cross-border e-commerce market with its leading market scale and robust growth. The volume of the Asia-Pacific cross-border e-commerce market accounts for 30% of the world’s total, and the number is estimated to rise up to 48% by 2020. East Asia, with its developed infrastructures and high internet usage, is considered as the core area in the Asia-Pacific region. The volume of cross-border e-commerce in East Asia alone is expected to account for 86% of the whole region and 39% of the world’s total. South-east Asia, with its recent progress in regional integration, is considered to be another focus in the region.

The third form of CBE is B2B, namely business to business, to which greater importance is recently attached by the e-commerce industry. According to the recent research from Frost & Sullivan, the global B2B market is expected to grow up to $6.7 trillion in gross merchandise value by 2020. This trend will make the B2B market three times as big as the B2C market ($3.2 trillion) within that timeframe. China is expected to emerge as the largest online B2B market with an estimated potential of $2.1 trillion by 2020. With the advent of the third stage of CBE, there will be more business enterprises, including SMMEs and those involved in traditional international trade, doing cross-border trade by means of e-commerce. The scale of CBE and the degree of the integration of the present e-commerce platforms will be far beyond the present level.
(3) Major players in cross-border e-commerce

Consumers, business enterprises and e-commerce platforms are the major players in CBE. The first two form the two sides of a transaction. Micro, small-and-medium-sized enterprises (SMMEs) are the most active, hence the most important participants at present in terms of volume, scale, frequency of transaction and universality in both cross-border e-buying and e-selling. The SMMEs are the major providers of e-commerce content. Consumers, also called end-users, provide the original momentum and form the basis of e-commerce. The e-commerce platforms play the role of facilitators and media with increasingly strong technological capabilities to integrate functions needed in CBE, including e-marketing, order generation, online payment, arrangement and tracking of the e-logistics, etc. The all-in-one platforms are the future trend of CBE. Therefore, the first developed platforms in this field enjoy all-around advantages.

<table>
<thead>
<tr>
<th>Box 1-1: CBE Platforms in China: 4 Typical Modes</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) B2B Platforms</td>
</tr>
<tr>
<td>The end-users of B2B platforms are enterprises and business groups. In China, B2B market volume accounts for 90% of total CBE. The B2B market has been taking the lead in cross-border e-commerce.</td>
</tr>
<tr>
<td>Successful examples: DH gate.com, Made-in-China.com, Alibaba, Global Sources</td>
</tr>
<tr>
<td>(2) B2C Platforms</td>
</tr>
<tr>
<td>The end-users of B2C platforms are consumers. It is the retail mode of e-commerce with the purpose of selling to individual consumers. B2C markets are developing, enjoying increasing shares in China’s total CBE. In the near future, the volume of B2C market will continue growing on a large scale.</td>
</tr>
<tr>
<td>Successful examples: Aliexpress.com, DX, Light in the box.com</td>
</tr>
<tr>
<td>(3) C2C Platforms</td>
</tr>
<tr>
<td>C2C means customer to customer. C2C e-commerce is e-commerce between individuals.</td>
</tr>
<tr>
<td>Successful examples: haitao.com, ymatou.com</td>
</tr>
<tr>
<td>(4) B2B2C Platforms</td>
</tr>
<tr>
<td>The definition of B2B2C includes the present business modes of B2C and C2C, which is the business mode of multi-suppliers and multi-stores. The B2B2C platforms, many established after the concept of “Internet+” put forth by Chinese Premier Li Keqiang, are more comprehensive in cross-border e-commerce service providing.</td>
</tr>
<tr>
<td>Successful examples: Kouclo.com, osell.com</td>
</tr>
</tbody>
</table>

Though developing quickly, China’s cross-border e-commerce is still at the initial stage.

Source: iRearch.cn, 2015-9-28

2. SMMEs in cross-border e-commerce

Scale is the Achilles’ heel of SMMEs which hinders them from getting financed and blocks their way
to the global market. E-commerce provides SMMEs an unprecedented opportunity to change their shortcomings into advantages. The SMMEs are much faster and active in innovations and creative ideas. Their size makes them more flexible and adaptable to market changes. Business enterprises, especially those represented by SMMEs, have become major players in CBE.

(1) Profiles of SMMEs in APEC economies

According to incomplete statistics, SMMEs accounts for 99% of the estimated 100 million businesses in the Asia-Pacific region. About half of these SMMEs are in China. In APEC, 30-60% of GDP, 32-84% of employment and about 35% of export are created by SMMEs. In China, the world’s second largest economy, there are more than 50 million SMMEs, which contribute to 60% of GDP, 50% of fiscal income and 80% of employment. SMMEs are the backbones of the Asia-Pacific Economy.

SMMEs, constrained by their scale, are born with innate disadvantages, which are reflected mainly in their human resource shortage, slow information procurement, low technological capabilities and their difficulties in financing and market access. With the upgrading of CBE platforms towards all-in-one online transaction facilitators, SMMEs are now facing an unprecedented opportunity to compensate for their shortcomings. Mature CBE platforms can serve not only as communication tools but also as guarantors which make online transactions cheaper and safer. The platforms can acquire and accumulate data that are valuable for providing more and better services by participating in the whole process of transaction.

Moreover, the recent development of e-commerce supply-chain finance solves the long-existing financing difficulties of SMMEs. According to Asia Development Bank, only 18.7% of all bank loans go to SMMEs. The high threshold and the complicated and time-consuming examination process of traditional bank loans can hardly meet the increasing need of SMMEs for small-scale and short-term loans. The innovation of e-commerce supply-chain finance is encouraging more SMMEs to
participate in cross-border e-commerce, which enables them to play a more important role in the economic development and transformation of the Asia-Pacific region and the world.

Box 1-2: Online Supply-chain Loans: A Solution to SMMEs Financing

DH gate.com is a leading cross-border e-commerce platform in China. It is now upgrading its platform toward an all-in-one-stop comprehensive CBE service provider. With previous experience accumulated and data collected in e-commerce DH gate.com started their financial cooperation with China Construction Bank (CCB) in 2010. The CBE company provides the transaction data and its own credit assessment of a SMME to CCB, CCB can then use this information to give loans on demand of the SMME. This form of supply chain finance brings SMMEs out of the dilemma that they often encounter in their on-credit sales. Now they can apply for loans to banks online with their order. The whole process is much easier, faster and safer than before.

(2) Capacities SMMEs needed to participate in cross-border e-commerce

Though it is much easier than before for SMMEs to participate in cross-border transactions through e-commerce, there are still a lot for them to learn.

The technological capability, especially the internet capability, is the prime and basic ability required in CBE. Most of SMMEs are specialized in certain industries, focusing only on providing several products or services. They usually lack specialized human resource in technology-related domains. Cross-border transactions involve more steps and procedures, which make the whole process of trade more technologically complicated compared with domestic e-commerce. The technological deficiency restrains many SMMEs from doing CBE.

Social-procedural competence is another important ability SMMEs should possess in doing CBE. Policies and requirements about cross-border trade differ a lot in different economies, which is also one distinct aspect regarding CBE. There should be CBE-related social-procedural capacity building programs to help SMMEs get acquainted with foreign markets.

Marketing competence is important for every enterprise. CBE requires enterprises to promote their products and services online and to locate their potential customers through internet. The methods are quite different from the traditional marketing theories.

Besides, language and cultural competence as well as adaptation competence are all what enterprises should possess to do cross-border transactions successfully. Sufficient and effective CBE capacity building resources are important, especially for SMMEs.
II. Cross-border e-commerce capacity building and SMMEs

The result of our survey shows that cross-border e-commerce capacity building is necessary and very important for SMMEs to do international trade through internet. Then what is the present situation of such resources? Are they effective and easy to use? The following research findings provide answers to these questions.

1. Current capacity building resources

As is reflected in our survey results, there are 4 different organizers of CBE capacity building. The government-sponsored resources include meetings and trainings organized for related government staff of different levels and leading companies in the industry. The most important feature of this kind of CBE capacity building resource lies in its authoritative, full and integral policy releasing and explanations. Usually the government-organized informative resources are occasionally held and can benefit only a small number of enterprises. Most of SMMEs are excluded by this capacity building channel due to their small scale hence little individual influence in the market.

As e-commerce is increasingly becoming a hot issue in business world, some higher institutions and CBE-related research centers develop such majors and courses to teach people who want to engage in CBE. This channel of capacity building resources has advantages in the theoretical part of CBE, while often deficient in the related operational knowledge. There is still a gap between the content provided by higher institutions and the CBE business practice.

Table 2-1: The advantages and disadvantages of present CBE capacity building resources

<table>
<thead>
<tr>
<th>Organizer</th>
<th>Government</th>
<th>Academic institutions</th>
<th>Training schools</th>
<th>CBE platforms</th>
</tr>
</thead>
</table>
| Advantage | 1. Authoritative  
2. Policy explanations | 1. Theoretical analysis  
2. Industry development | 1. New and cutting-edge content | 1. real experience in the field  
2. practical content |
| Disadvantage | 1. Occasionally held  
2. A few beneficiaries | 1. No practical experience  
2. Lack operational content | 1. Unstable training  
2. Not authoritative  
3. Not systematic | 1. confined to certain platforms  
2. not consistent |

With the development of internet business, there are more and more e-commerce training classes. The content provided through this channel is usually new and more cutting-edge, but often scattered and unsystematic. The capacity building service is unstable because many of the training classes can't last long for lacking of support from related research and practice.

Recently, many traditional e-commerce companies are upgrading their platforms to accommodate CBE. Some big ones have already enjoyed certain technological and data advantages from past years’ practical experience. As user scale is important for them to lower costs and increase profits, the platform companies are making every effort to diffuse CBE-related knowledge to their users.
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and the public. The CBE capacity building resources provided by the platforms are mainly manual-like directions that are more practical and easier to use, while generally confined to certain specific platforms and hence lacks universality.

2. Constraints and obstacles for SMMEs to utilize current resources

CBE capacity building has just started. More than 90% of the SMMEs have no idea of the present CBE capacity building resources. For the rest 10%, only a few make use of it. There are still defects in the present CBE capacity building resources and channels.

(1) Inefficient supporting organizations and mechanisms

Our survey reveals that almost all SMMEs get to know the CBE capacity building resources by chance. There are no specialized organizations or mechanisms devoted to consistent and systematic trainings and related services to SMMEs in the Asia-Pacific region. Information about present resources are scattered on all possible media, on small chances and with no correlations between each other. The current CBE capacity building resources have an unpredictability nature in that they seem to be one-for-all kind of things left with almost no clues for when, where and how to get access to next time. It should be changed. APEC economies should work together to create better CBE capacity building programs by establishing enough supporting organizations and mechanisms.

(2) Lack of pertinence

About half of the present CBE trainings concentrate on the concepts and the theories of cross-border e-commerce. Few could provide operational knowledge that is ready to use. Most of the trainers are outsiders of the CBE industry knowing little about the current development in CBE technologies and practice. CBE involves enterprises and consumers from different economies, each of which has its own characteristics in many aspects like business environment, related policies, social procedures, language and cultures, etc. The services and products in CBE may require different procedures and methods to trade. All these require more detailed and pertinent trainings and discussions that are beyond the present CBE preliminary trainings. Lack of pertinence is often the comments given by trainees attending the present classes and meetings. Training is important in CBE capacity building.

(3) Rigidity of current trainings

Though CBE is in the fast development stage in the Asia-Pacific region, all APEC member economies don’t attach the same importance to it. This is mainly due to their different economic situations and the current importance of CBE in their economy. This results in the imbalance of the geographical distribution of the current CBE training programs. China, Brunei, Malaysia, Mexico and the Philippines have realized the importance of CBE capacity building and have taken actions
in this regard. However, this is far less than enough. Many SMMEs, even SMMEs in these countries can’t take part in such trainings due to monetary and geographic constraints. Fixed timetables, no follow-ups and lack of interactions are also the drawbacks of the present settings.

QUOTE:
“CBET is very important. We need training programs that are efficient, easy to access, real life, e-training and inexpensive.”

Ms. Haslina Taib from Brunei
Chief Executive Officer
Brunei Accenture Group (B.A.G) Networks

3. Importance of online capacity building for SMMEs

The importance of cross-border e-commerce training is widely accepted by APEC as a means for SMMEs to access to finance, access to international markets and international networking and collaboration opportunities. So far, most of the current CBE capacity building programs are offline. The face-to-face mode is highly-concentrated, compact and easy to be accepted. However, due to the above-mentioned innate shortcomings, offline trainings are becoming more and more unsuitable for the current situation. More than 85% of the subjects we surveyed preferred online CBETs. Online trainings are efficient, accessible and much cheaper. What is more, it helps to overcome the space and time hurdles, and can provide more choices for users. With some simple settings online, trainings could easily realize instant communications between the trainer and the trainee, thus further needs of the trainee can be satisfied. The SMMEs can get the specialized guidance and help while they are doing CBE. Online factors should be added to the present CBE training framework. Establishing online CBE capacity building programs would accelerate the CBE progress in the Asia-Pacific region, and support more SMMEs to participate in the new e-commerce trend.

Table 2-2: CBET – Consensus Reached by APEC Economies

<table>
<thead>
<tr>
<th>APEC Document Title</th>
<th>Related Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABAC 2014 report to APEC economic leaders</td>
<td>“promoting Cross-Border E-commerce Training (CBET) opportunities”</td>
</tr>
<tr>
<td>The 21st APEC SME Ministerial Meeting Joint Ministerial Statement</td>
<td>“ABAC shared their key recommendations related to SMEs and entrepreneurship. We appreciated the ABAC’s work on access to finance, access to international markets, and the associated capacity building programs Cross-Border E-commerce Training (CBET), to empower SMEs to access international networking and collaboration opportunities”</td>
</tr>
<tr>
<td>Nanjing Declaration on Promoting SME Innovative Development</td>
<td>“Encourage ABAC to continuously create capacity building programs for SMEs to access international networking and collaboration opportunities, including those that promote Cross-Border E-commerce Training (CBET) opportunities across APEC economies”</td>
</tr>
</tbody>
</table>
III. Constructing effective online capacity building programs

Effective online CBE capacity building programs are important for the Asia-Pacific region to seize the opportunity brought about by the new e-commerce trend to stimulate its economic development. We discussed the CBE capacity building prototype with government officials, business insiders, scholars and researchers during the past months. A CBE capacity building “2+2+6+1” framework is scheduled according to our interviews, i.e. 2 forms, 2 phases and 6+1 features.

1. The framework and key feature

   (1) The framework

   Two forms – offline and online
   Online and offline modes of trainings have their respective advantages. The former is flexible, cheaper, easy to be accessed, and can provide more information and content. The latter is more time-effective and easy to be accepted, which is often used to provide detailed and real-life experience. An ideal CBE capacity building prototype should take the advantages of both online and offline modes, thus to avoid the present disadvantages, such as high cost, long distance, fixed arrangement, etc.

   Two phases – trainings and follow-ups
   Training is the most common form of the present CBE capacity building programs. Usually, the content, the timetable and the location of these trainings are uniformly arranged without taking into the consideration the unique situation of each participant. It is often the case that the content of the trainings lacks pertinence. And the important details are easily forgotten because the trainings are so compactly arranged. Both greatly lower the efficiency of the training. Follow-up Q&A sessions and the following specific guidance are very important to help SMMEs in real CBE practice.

   (2) Key features

   6 aspects are of prime importance in the CBE capacity building, namely, business environment, cross-cultural communications, internet finance, online marketing, international logistics and international trade practices. The 6 aspects can be integrated as indispensable modules into the online capacity building framework. Besides, business visits and internships are very helpful in providing real-sense experience. It should be optional for SMMEs who have such need and the corresponding resources to take part in. This is what “6+1” means.
2. Best practices

(1) Online CBET

Online CBET is the training of CBE-related knowledge across the internet. At the present stage, few CBE courses provided by governments, higher institutions and training schools are online, most of them are provided mainly by face-to-face means with only a very small percentage and scattered content provided online. The best practices of online CBET go to those specialized CBE platforms. Here we use DH gate.com in China as an example.

As an E-commerce platform enterprise specialized in cross-border e-commerce, DH gate.com realized the importance of CBET, especially online CBET, almost at the very beginning of its business. Now the company has established its own online CBET-university open to the public to help potential SMMEs to get quick start in cross-border e-commerce.

The CBET university of DH gate.com has a course center and a help center. The former provides a cluster of courses ranging from how to start an online business to specific industry CBE strategies; the latter collected and classified all the CBE related issues and questions into 8 modules to help users to get easy solutions while using the platform. With years of construction and betterment, the DH gate.com CBET-university is now running efficiently and helping the company establish its fame in the industry.
(2) Offline CBET

As is important in international business, localization is important content in cross-border e-commerce capacity building. The online training provides the standard content and knowledge, while the offline training helps SMMEs to know much more details about a specific market and get real-life experience.

The CBE capacity building programs within APEC framework have made rapid progress after the concept of Cross-Border E-commerce Training (CBET) was first put forth by ABAC in 2013 APEC Bali conference. CBET program was formally launched in January 2014 at ABAC Auckland conference. It has been proven to be one of the effective ways to help SMMEs access international markets, micro finance and capability building. During the course, many member economies expressed their interest in the program. In the following 12 months, China and Brunei made two successful trials on the issue.

![Figure 3-2: CBET-interested APEC Economies](image)

a. CBET in China

China completed APEC’s first CBET workshop in the city of Dongguan from June 23 to June 26, 2014. The first CBET workshop received the endorsements from ABAC SMMEWG, Ministry of Commerce of the People’s Republic of China, Ministry of Industry and Information Technology of the People’s Republic of China, and China Council for the Promotion of International Trade. The purposes of the first CBET workshop are to provide capability building, international networking and cross-border business opportunities for SMMEs.

The theme of the first APEC CBET is to “Learn, Observe and Apply”. There were about 50 attendees from 10 APEC economies taking part in the first CBET workshop. The workshop consisted of three major components: lectures, group discussions and field visits.

In the lecture session, 8 professionals and industry experts shared their visions and expertise in their specific fields of CBE eco-system. The eight lectures were organized according to their roles in the CBE global supply chain. The topics were as follows:

a. CBE value chain and the trends of e-commerce
b. Global selling tactics  
c. How to expand cross-border business: from basement to warehouse (a real case study)  
d. How to use specialized services to expand global markets  
e. The best practices of online retails  
f. Internet supply chain finance  
g. Global branding  
h. CBE payment solutions

In the following discussion sessions, the attendees were organized to digest previous lectures and to distinguish what solutions can be simply duplicated and what has to be adjusted to solve local issues. Topics were designed to analyze the current situation, then to identify major problems, at the end of the session potential solutions were explored. Applying what was learned to tackle real-life problems was the fundamental goal of group discussions.

The field-visiting part was arranged to understand new trends of manufacturing process. Through visiting, the attendees experienced the real process on how the traditional OEM SME manufacturers looked for new ways to upgrade their business models. For example, some of the SMEs worked closely with cross-border e-commerce companies to collect products requirements directly from overseas clients, then they broke down the demands into mass production components for further re-assembling. In this case, manufacturers could provide flexibility to customers without increasing their own costs as previously happened in customization, which helped them to gradually transit from the product-oriented model to the service-oriented model.

b. CBET in Brunei
The second APEC CBET was organized in Brunei from May 5 to May 7, 2015. The second CBET was composed of 2 main parts, lectures and site visits, following each part where there were Q&A sessions or group discussion sessions. The topics and the site visits offered by the second CBET were as follows:

**Brunei CBET Topics**
- a. Cross Border E-commerce: Introduction, History and Development  
- b. CBE: The Next Big Thing in E-commerce  
  - Key factors driving this hot new e-commerce channel  
  - Obstacles now and future  
  - What are the possibilities for the future
c. CBE Enabler: International Fast Shipping
   - The game changing trend
   - Online retailing best practices
   - Emerging successful

d. Chinese Top Seller: Wedding Dress Industry
   - Cross Border e-Commerce changes, business and life
   - How an e-Commerce business grows and runs
   - Challenges and Future

e. CBE: A Great Opportunity for Gold Rush
   - A Complete CBE Operation Process
   - The e-Commerce Challenges
   - e-Brands, Channel, Service, Support, Marketing and Fulfillment

**Brunei CBET Site Visits**

a. Simpor Pharma
b. Bio Innovation Corridor
c. Bandar Seri Begawan Tour (optional)
IV. Creating supportive environment: Policy recommendations for APEC economies

Effective CBE capacity building needs the joint efforts of governments, enterprises and the academic world. The importance of CBE capacity building for SMMEs and the development of Asia-Pacific economy should be fully realized. A favorable and supportive CBE environment should be created. To achieve this, the report puts forward the following suggestions.

1. Fully utilizing, strengthening and enlarging present CBET

(1) Constructing a CBET prototype

Current cross-border e-commerce training resources are provided through different channels with different focuses and concerns. They can be used as reference and supplement when well-organized and classified. Especially the policy-related and the operation-related training resources can be very helpful for SMMEs to get a quick start in the field. A CBET prototype constructed on the basis of current resources will be much cheaper and time-saving. Our survey shows that most subjects preferred to set up a uniform standard of CBET in the Asia-Pacific region.

(2) Establishing online CBETs

Online CBETs are very necessary in the Asia-Pacific region considering the different CBE development levels of APEC member economies and the constraints that hinder SMMEs from taking part in the face-to-face training. Constructing APEC CBET network would help to create a favorable environment for the development of CBE in the region and for SMMEs to access to international market. Moreover, online CBETs give rise to effective interactions, including communications and feedbacks on a long-term basis compared with the offline trainings.

(3) Standardizing the framework and key elements of CBET

Standardized CBET prototypes are easier to be spread and adopted compared with the customized ones. APEC could play an active role by establishing and popularizing CBET prototypes to promote the development of SMMEs and CBE in the region. As is suggested previously, a clear framework combining both online and offline phases and including trainings and the follow-up services should be designed. Key elements and processes (6+1) involved in CBE should be included.
(4) Sharing international experience

Starting from 2014, 2 rounds of CBET were launched in APEC. The CBET workshops strengthened the communications between governments, enterprises and academic institutions in promoting CBE and supporting SMMEs to access international markets and internet finance. Ideas were fully exchanged between the attendees, which will serve as valuable experience in later CBE practice. International experience sharing is important for CBE capacity building in the APEC economies.

2. Asking for government support

Government support is essential for the effective construction of online CBET programs, especially in the starting stage. Though greater in number, market forces are scattered and unsystematic. It takes longer time for the market to form an effective and integral system for CBE capacity building. Taking into consideration the infrastructure demand, government supports are indispensable in creating a favorable environment for building CBET hardware and software.

(1) Increasing input in capacity building

General CBET can be seen as public goods, which are more deficient at the beginning. Most SMMEs do not have the resources, neither money nor human resource, to get themselves equipped with enough infrastructures and knowledge. Governments should play an active part in providing these public goods. These include but are not limited to the following:
   a. Building CBET Networks
   b. Establishing online CBET funds
   c. Providing technical and managerial supports

(2) Encouraging the establishment of capacity building organizations

Specialized organizations and platforms should be built by governments. Through these public mechanisms information and services about CBE capacity building could be focused, and more pertinent and specialized services and trainings could be provided. Orderly CBET markets are of higher quality and are more effective. These include but are not limited to the following:
   a. Establishing CBET alliance, encouraging the participation of SMMEs, CBE platform enterprises, research institutions and governments of different levels
   b. Establishing CBET training Centers, launching “Training the Trainers” programs
   c. Establishing Asia-Pacific Cross-border E-commerce Alliance

(3) Enacting supportive policies

The APEC member economies have realized the importance of CBE and CBET. Many state-level policies and regulations have been stipulated by economies leading in cross-border e-commerce.
Other economies should follow suit to seize the opportunity to integrate into the global value chain.

Box 4-1: China's Initiatives to Promote Cross-border E-commerce

February 2013, China Administration of Foreign Exchange issued “cross-border e-commerce payment institutions foreign exchange payment service pilot management requirements” and many other documents and decided to carry out cross-border e-commerce payment institutions foreign exchange payment service pilot in Shanghai, Beijing, Chongqing, Zhejiang, Shenzhen and other places. Third-party payment institutions that got the payment business license can apply to be directly involved in cross-border e-commerce payment collection and payment of foreign exchange funds and foreign exchange-related services for small e-commerce both transaction parties through banks.

August 2013, State Council forwarded "relevant policy advice on the implementation of support for cross-border e-commerce retail export " jointly developed by the Ministry of Commerce in conjunction with the National Development and Reform Commission, People's Bank of China, the Customs Department and other nine departments, the cross-border e-commerce retail export will be included in the customs export trade statistics, six specific measures proposed for cross-border e-commerce retail export support policies and export inspection, foreign exchange collection settlement, the measures have been implemented in Shanghai, Hangzhou, Ningbo, Chongqing, Zhengzhou and other cross-border e-commerce five pilot cities, and will promote in the areas where conditions permitted from October 1, 2013.

October 2013, 17 third-party payment companies have received formal approval from SAFE and become the first companies to obtain cross-border e-commerce foreign exchange payment business pilot qualifications. It indicates the Chinese domestic payment institutions cross-border e-commerce foreign exchange payment services that usher substantial progress will effectively promote the development of one-stop solution platform for cross-border payments of foreign exchange, enhance the ability and efficiency of payment institutions collecting and settlement and promote the internationalization progress of the China's e-commerce business.

December 30 2013, the Ministry of Finance, State Administration of Taxation jointly issued "cross-border e-commerce retail export tax policy," which clear tax related incentives policy of cross-border e-commerce retail export.

March 2014, Chinese Premier Li Keqiang proposed the implementation of policies to encourage imports, increase import of domestic shortage products, the expansion of cross-border e-commerce pilot in the government work report of NPC &CPPCC

May 2014, the State Council issued the "Opinions on support steady growth in foreign trade," and proposed to further strengthen the import, introduction of cross-border e-commerce trade facilitation for good measure.

In late July 2014, the Customs Department released two documents within one week, namely, 2014 No. 56 document "cross-border e-commerce trade entry and exit of goods and articles related to regulatory matters announcement" and No. 57 "the increase column customs monitoring code announcement, "defined by the cross-border trade, business or personal e-commerce fashion must accept the customs supervision.

September 29, 2014, Premier Li Keqiang chaired a State Council executive meeting, The meeting decided to encourage the expansion import of high-end production services advanced technology equipment and key components, research and design, energy saving, environmental services, and complete the development of science and technology supplies import tax policy. Import resources stably needed, reasonably increase imports of beef and mutton, fish, etc consumer goods in general are closely related to people's life. Promote the imports management convenience. 24-hour and holiday booking clearance, speed up automatic import license administration paperless clearance merchandise pilot. Expand admissible third-party inspection, testing and certification results, shortening the time of inspection and quarantine. Build import trade platform, increase imports in a fair competition principle, the utilization of a new model of cross-border e-commerce. Encourage enterprises to set up overseas procurement networks and channels. Develop multilateral trade and expand economic development.
3. Calling for international cooperation

(1) Encouraging APEC online CBET programs

Most of the present capacity building resources and channels are self-stimulated. There lack a well-organized framework under the consensus of APEC economies on CBE capacity building to provide real help to SMMEs to participate in the new round of CBE revolution and to get easy access to internet finance. The recent two rounds of APEC CBET workshops served as a good start to change this situation. The efforts should be continued towards a better organized CBET prototype combining online and offline parts. The core modules of the CBET programs should be standardized to suit the need for easy acceptance. Beyond that, APEC should call for active actions of its members to localize the prototype to suit the special needs of different markets and industries.

(2) Accelerating APEC Integration and Connectivity

QUOTE:
“Government should make policy to form a preferable environment for e-commerce market in cross-border regulation, privacy control, etc.”

Mr. Seung Jun Oh from ROK
Chief Executive Officer
SE Lab, Inc.

Hardware and software connectivity are the basis for promoting cross-border e-commerce in the Asia-Pacific region. Some of our survey subjects (Papua New Guinea) mentioned that the cost of internet was a hurdle preventing them from participating in online CBETs. Besides, different standards and requirements artificially segment the region into small pieces. APEC member economies should cooperate more closely towards early consensus on hardware standards and trade-related policies. APEC integration and connectivity will greatly facilitate the development of CBET and CBE.
References


