Cross-border Cooperation of China and Ukraine in e-Commerce: The Status and Development Prospects

Urgency of the research. The e-commerce market in Ukraine is one of the most promising. Its growth in 2016 was 35%. Significant share is in cross-border trade, in particular with Chinese trading platforms.

Target setting. The 2 key trends in the development of the global e-commerce market are highlighted: dynamic growth in the volume of cross-border online trade and the development of subsidiary services; the development of the marketplace model.

Actual scientific researches and issues analysis. Many scholars focus their attention on cross-border trade issues with China, including M. Zhang, W. Zuo, and H. Zheng R. Guo and others.

Uninvestigated parts of general matters defining. Nevertheless, the issue of ensuring cross-border e-commerce between China and Ukraine has not yet been adequately covered in the scientific literature.

The research objective. Now it is important to develop new areas of cooperation with China, primarily through the activation of electronic interaction, which, in turn, can become an element of Ukraine’s economy sustainable development.

The statement of basic materials. SWOT-analysis of the market entry of China showed that the key opportunities in entering the Chinese market is the capacity of this market and its dynamic growth and a key threat - cultural and mental differences.

Sales of goods through marketplaces will partially neutralize the possible impact of threats related to the differences between Ukraine and China.

Conclusions. It is recommended to create the conditions for intensification of cross-border cooperation between China and Ukraine in the field of electronic commerce, by:

1) the conclusion of international treaties and special agreements;
2) improving the logistics infrastructure;
3) information provision and training of local producers of products;
4) special tax regimes for manufacturers focused on exports to China.

Keywords: cross-border e-commerce; e-export; marketplaces; cross-border cooperation; online trading.

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Urgency of the research. The e-commerce market in Ukraine is one of the most promising, despite the crisis in the economy, its growth in 2016, according to Ecommerce Europe, was 35% [10], and this is...
one of the largest indicators in Europe. In our opinion, this trend is due to a number of factors, the main one is the growth of the number of Internet users. According to the research company "We Are Social", during 2016, the growth in the number of Internet users was 13% (or 3 million people) [1]. Noteworthy is that, according to Visa’s study, the share of transactions made by Ukrainians on foreign websites in the third quarter of 2016 was 61%. At the same time, the share of transactions on Aliexpress was 34% of the total volume of international transactions [2].

**Target setting.** The trend of "cross-border" becomes № 1 on the e-commerce market not only in Ukraine, but also at the global level. More and more e-buyers around the world make purchases at international virtual venues: Amazon, Alibaba, eBay, Taobao, Otto, etc. In some countries, cross-border transactions account for about 50% of total e-commerce sales (for example, in Canada, this figure is 45%) [3].

These facts indicate 2 key trends in the development of the global e-commerce market:
1) dynamic growth in the volume of cross-border online trade and the development of subsidiary services;
2) the development of the marketplace model (the leaders in e-commerce - Amazon, eBay - are marketplace).

Such trends, in our opinion, as well as in the opinion of e-commerce market practitioners, will be relevant for the next few years [4].

**Actual scientific research and issues analysis.** The share of cross-border transactions in the e-commerce market is growing very dynamically, which draws the attention of many scientific experts with a view to a deeper study of this phenomenon. Separately, I would like to mention the report "Shopping Tomorrow" [5] of scientists and practitioners from the Netherlands, including Jesse Weltevreden, Professor of E-business, Amsterdam University of Applied Sciences, which talks about the trends of cross-border trade. Many scholars focus their attention on cross-border trade issues with China, including M. Zhang, W. Zuo, and H. Zheng [6] revealed the features of the business model of exports from China; M. Giuffrida [7] revealed the features of logistics support for exports from China to the e-commerce market (e-exports); R. Guo [8] disclosed the importance of knowledge of the characteristics of Chinese culture.

**Uninvestigated parts of general issue defining.** Nevertheless, the issue of ensuring cross-border e-commerce between China and Ukraine has not yet been adequately covered in the scientific literature. In our opinion, now it is more important than ever to develop new areas of cooperation with China, primarily through the activation of electronic interaction, which, in turn, can become an element of Ukraine's economy sustainable development.

**The research objective.** In China, where, according to the study of Emarketer [9], sales in the e-commerce market in 2016 reached 0.9 trillion. Which is 47.0% of global sales. At the same time, cross-border e-commerce has become a way for China to sell products produced on the territory of the country.

**Statement of the main material.** To fully understand the status of development of Ukrainian and Chinese e-commerce, the indicators for the main indicators of market development are given (Table 1). As you can see from the table, more than half of the population of China over the age of 15 are Internet users, and more than a third are shopping online. This is significantly higher than in Ukraine, which can be explained by the higher development of ICT in China, the highest degree of public confidence in Internet sites and the popularization of e-commerce at the state level. The result of the above tendencies is a high percentage of sales in the e-commerce market in the total GDP structure (for comparison, in Ukraine from 2013 to 2016, according to different data, this index ranged from 2 to 4%) [10]. Separately it is worth noting that 50% of online payments are made using mobile devices (in Ukraine - 35%), from which we conclude that the trend of "mobility" has gained special popularity in China.

It should be noted that government actively stimulates the activity in the field of electronic commerce by providing infrastructure conducive to the development of the market, as evidenced by the relevant indicators of international indexes of doing business, where China occupies high positions (Tab. 2).
It is worth to indicate the high index of the LPI Index [15]: the quality of logistics services is very important for the development of e-commerce in China, given the large share of cross-border trade. For comparison, Ukraine in the ranking of LPI takes 80th place. Despite the fact that the state in China has a certain impact on business, the indicators of the Ease of Doing Business Index [16] (78 place, in Ukraine - 80). For the E-government Index, China is next to Ukraine, which has 62nd place [17].

### Table 1

**Key indicators of e-commerce development in China and Ukraine**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>China</th>
<th>Ukraine</th>
</tr>
</thead>
<tbody>
<tr>
<td>The number of people over 15 years</td>
<td>1137 million</td>
<td>37.7 million</td>
</tr>
<tr>
<td>The number of Internet users</td>
<td>583.1 million (51% from quantity of general population)</td>
<td>21.9 million (58% from quantity of general population)</td>
</tr>
<tr>
<td>The number of e-shoppers</td>
<td>431.3 million (36% from quantity of general population)</td>
<td>3.7 million (10% from quantity of general population)</td>
</tr>
<tr>
<td>GDP</td>
<td>10.866 trillion dollars</td>
<td>90615 million dollars</td>
</tr>
<tr>
<td>The share of e-commerce in GDP</td>
<td>7.05%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Share of sales with mobile devices in the structure of online sales</td>
<td>50%</td>
<td>25%</td>
</tr>
</tbody>
</table>

*created by the authors on the basis of [11; 12; 13; 14]

### Table 2

**China and Ukraine in the international indices of 2016**

<table>
<thead>
<tr>
<th>Index</th>
<th>Description</th>
<th>Position of China</th>
<th>Position of Ukraine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics Performance Index [15]</td>
<td>The total LPI score reflects the state of logistics in a country based on, among other things, the assessment of the effectiveness of customs procedures, the quality of trade and transport infrastructure and the quality of logistics services.</td>
<td>27 from 160</td>
<td>80 from 160</td>
</tr>
<tr>
<td>Ease of Doing Business Index [16]</td>
<td>The high ease of running a business rating means that the regulatory environment is more conducive to the start-up and operation of companies.</td>
<td>78 from 190</td>
<td>80 from 190</td>
</tr>
<tr>
<td>E-government Index [17]</td>
<td>The E-government Index provides a comparative assessment of the e-government development of the UN member states. Important factors that contribute to the high level of e-government development are investments in telecommunications, human capital and the provision of services on-line.</td>
<td>63 from 193</td>
<td>62 from 193</td>
</tr>
</tbody>
</table>

*created by the authors on the basis of [15; 16; 17]

China has one of the most developed e-commerce in the world due to its excellent digital infrastructure and the emergence of a new generation of innovators and manufacturers. In this area, there is a dynamic business growth due to rising living standards of the population, local people buy better quality products from abroad, including such as food additives and cosmetics. Nevertheless, China is still one of the world's leading exporters. Many industrial products, including drones, motor scooters and smartphones, are manufactured in China at a low price and exported worldwide. This trend is confirmed by figures: in 2015, 29.1% of China's GDP growth was provided by online trade [11].

Ukraine has well-established trade relations with China in the field of import in the e-commerce (e-import) market. According to our study, the Chinese virtual platform Aliexpress is the third most visited by the e-commerce site in Ukraine, its share in traffic is more than 6% [18].

At the same time, Ukraine has a great potential for export development to China. According to the DHL report [19], in 2015 China spent more than $31.96 billion. On foreign goods, which is a 60% increase compared to 2014. According to the report of WPHI Szanghaj [20], 81% of consumers in 2015 used the services of online stores, in 35% of cases it was the purchase of goods from abroad. In general, more than two million imported goods were purchased in China, including the USA, Japan, South Korea, Hong Kong, Germany, France, Taiwan, France, Great Britain, Denmark [21].
In this case, the e-buyer in China, according to the results of the study of the company "We are Social" [22], on average, spends $ 710 annually on the network, which is a rather high indicator. From the above, we can conclude that Chinese buyers are ready to make purchases in the e-commerce market and are positive about buying goods abroad.

In our opinion, the most promising goods for sale in China are food products. The study by WPHI Szanghaj [23] shows that 46% of Chinese consumers buy food online, Ukraine has sufficient capacity to supply food products to China.

At the moment, Ukrainian goods are practically not represented in the Chinese e-commerce market: only chocolate of one Ukrainian factory is represented on Taobao, and only the products of the Ukrainian chemical industry, alcohol, sunflower oil and round wood can be found on the leading B2B sites.

In our opinion, Ukrainian entrepreneurs do not estimate China's market at high level, because under current conditions we can be very competitive in price. Thanks to the devaluation of the national currency, domestic goods received a weighty price advantage. Ukrainians salary in dollar at the current rate is less than in China, by about 40-50%, which directly affects the cost of products produced in Ukraine. Therefore, it is promising to enter the Chinese market with the products of the food industry produced in Ukraine, as well as expand the range of products that are suitable for export.

Thus, entrepreneurs have opportunities to enter the Chinese market, first of all, the capacity of this market and its dynamic growth. The key threat is cultural and mental differences. In detail, the opportunities and threats of entry of Ukrainian enterprises to the Chinese market are listed in the matrix of SWOT-analysis (Tab. 3).

Table 3
Correlation matrix of SWOT-analysis of the processes of entry of Ukrainian enterprises to the Chinese market*

<table>
<thead>
<tr>
<th>Capabilities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>China is the largest e-commerce market and dynamic growth will continue in the coming years. Only 51% of the population have access to the Internet, which opens the door for further growth in demand in the e-commerce market. High level of development of the marketplace model. Support of Ukrainian exporters by the state.</td>
<td>Significant cultural differences. Population aging. By 2050, more than a quarter of the population will be over 65 years old. Possible changes in legislation. Instability of demand. Possible increase in the cost of delivery. High level of competition from Chinese manufacturers</td>
</tr>
<tr>
<td>A wide range and high quality of products manufactured in Ukraine. Affordable prices for Ukrainian products. Availability of human resources for expansion of production.</td>
<td>The opportunity to enter one of the largest markets in the world and expand production in Ukraine. Affordable prices, a wide range and high quality of products along with an increase in the number of e-buyers will allow Ukrainian goods to occupy their niche in the Chinese market. The opportunity to promote products of Ukrainian production with the help of marketplaces will increase sales volumes. If this direction of export is stimulated by the state, there is the possibility of attracting small producers to this</td>
</tr>
</tbody>
</table>

*Table 3: Correlation matrix of SWOT-analysis of the processes of entry of Ukrainian enterprises to the Chinese market.
Continuation of Table 3

<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>“Weakness and Opportunity”</th>
<th>“Weakness and Threats”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of investment to expand the sales market.</td>
<td>State support for exports to China will make this direction more attractive for investors. Since the Chinese market is very capacious, at the initial stages Ukrainian producers can compete with the help of price levers. The use of the marketplace model partially solves the issues with delivery and payment (with the help of fullfillment, etc.).</td>
<td>There may be difficulties associated with the lack of established ties, as well as the uncertainty of products in China in the face of high competition in the Chinese market. Difficulties associated with payment and delivery, can become even more acute in case of increasing the cost of delivery. Changes in legislation may entail additional risks and expenses. Cultural differences and the lack of established business ties can level out all the competitive advantages of Ukrainian products.</td>
</tr>
<tr>
<td>Lack of established business ties with Chinese counterparts. Chinese consumers are unfamiliar with the production of Ukrainian production, additional efforts and expenses are needed to popularize the brands Made in Ukraine. Difficulties associated with payment and delivery.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*created by the authors

Having evaluated the key opportunities and threats, as well as analyzing the strengths and weaknesses in order to optimize the business model, entrepreneurs need to determine the site for selling the goods. The most optimal option is to sell goods through marketplaces, which will solve some of the problems related to the differences between Ukraine and China. At the same time, sales on marketplaces also have disadvantages: long delivery time of goods, hidden payments, the language barrier, the complexity of the return.

Therefore, in the future, in the event of an increase in exports to China, all Ukrainian sellers may be merged on the Ukrainian virtual platform, which will eliminate some of the shortcomings of the existing market in the Chinese market. The Ukrainian marketplace is a good mechanism for supporting domestic production, as well as building the image of the state.

Conclusions:
1. The economic crisis in Ukraine pushes to seek new ways of economic recovery, which do not require significant investment. These include the sphere of e-commerce, which can significantly affect the development of the national economy by increasing the export of goods of Ukrainian producers and sales through virtual platforms.
2. A detailed analysis of the Chinese e-commerce market allows us to conclude that it is necessary to intensify cross-border relations in e-commerce, both at the state level and at the enterprise level.

Given the above, it is recommended:
1. Create the conditions for intensification of cross-border cooperation between China and Ukraine in the field of electronic commerce, by:
   1) the conclusion of international treaties and special agreements to reduce the costs of Ukrainian producers when exporting goods to China;
   2) improving the logistics infrastructure in terms of international delivery, stimulating the development of competition in this area;
   3) informing and training the producers of products regarding e-export opportunities (partially implemented with the help of the E-export School project from Ukposhta), as well as working on international virtual sites;
   4) provision of special conditions in terms of taxation for producers focused on exports to China.
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