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**Report Name:** China Cross-Border E-commerce Market Opportunities for US Agricultural Products

**Country:** China - People's Republic of

**Post:** Beijing ATO

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**Report Highlights:**

China's cross-border e-commerce (CBEC) channel has maintained strong momentum since its inception as it allows exporters to offer zero tariffs, reduced value-added and consumption taxes, and streamlines customs clearance processes for specific products on the CBEC positive list. The CBEC channel may be an entry point for companies new to the Chinese market, offers new-to-market products an opportunity to test products, and often lowers market entry barriers. Following the 2019 CBEC GAIN Report, "Using the Cross-border Ecommerce Channel to Increase U.S. Food Imports to China" which described CBEC and answered frequently asked questions, this report updates China's CBEC developments, introduces major CBEC platforms, and provides recommendations for U.S. food and agricultural exporters interested in CBEC.

China's cross-border e-commerce (CBEC) sector has rapidly grown following the global shockwaves emanating from the COVID-19 pandemic. In 2020, China's CBEC trade value reached \$234.73 billion (exchange rate is \$1=7.2 RMB), almost ten times the value in 2019, and has maintained steady growth in the following years.

In the first half of 2023, China's CBEC trade value reached \$152.7 billion, an increase of 16 percent from the same period in 2022. In addition, since 2020, the share of CBEC trade has increased to around five percent of China's total foreign trade compared to just one percent back in 2019. Currently, exports comprise a larger percentage of CBEC trade, but imports remain significant. In 2019, China's CBEC total trade value reached \$25.86 billion, with exports surpassing imports for the first time.

## FAST FACTS ABOUT CHINA CBEC

CBEC saw \$152.7 billion<sup>1</sup> trade value in the first half of 2023, up 16 percent year on year.

CBEC trade has increased to five percent of China's total foreign trade compared to just one percent in 2019.

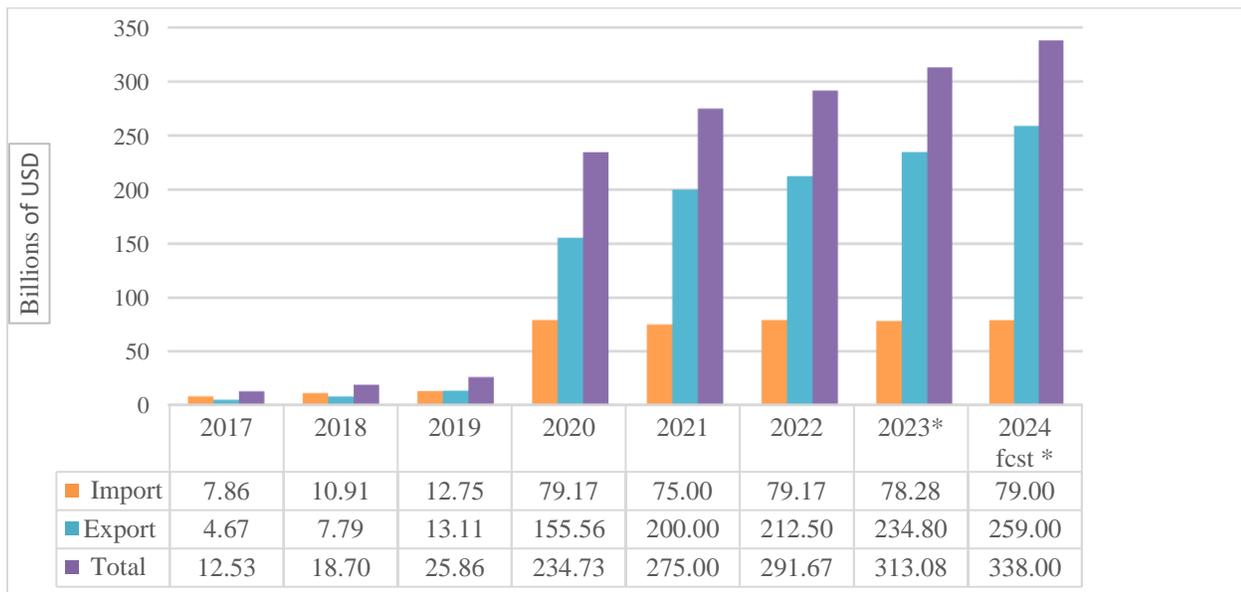
The United States is the second largest import source country with a 17.9 percent market share, just behind Japan at 21.7 percent.

Consumer-oriented products make up 98.3 percent of CBEC import, with food and produce accounting for 14.7 percent and milk powder for 12.9 percent.

There is a strong preference for U.S. food and beverage products on the CBEC platform.

Friendly for small and medium-sized enterprises (SMEs).

**Figure 1: CBEC Trade Value**



**Data Source: General Administration of Customs of the PRC <sup>1</sup>**

**\*2023 and \*2024 forecast estimate by USDA FAS China**

<sup>1</sup> Original data in RMB. Converted into USD via exchange rate: One USD equal to 7.2 RMB.

## CBEC Background

CBEC was launched to meet individual consumer's increasing demand for overseas products for personal use. Before CBEC was formalized, Chinese citizens acquired foreign authentic products through an informal overseas surrogate shopping system known as Daigou (代购) whereby individuals take orders from a small number of acquaintances or customers, make the purchases, and then ship the purchases via personal parcel or carry the products in their baggage to avoid customs duties. The formalization of CBEC pilot zones is an attempt to reduce the informal method of acquiring foreign goods in favor of a process that can be better regulated.

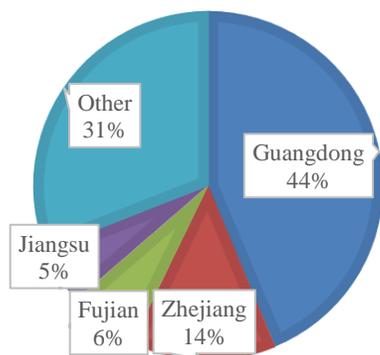
The CBEC platform is a special PRC program that waives import tariffs and streamlines the customs clearance process for specific consumer-oriented products. Unlike regular e-commerce sales of imported products, CBEC's special provisions only govern direct Chinese domestic consumer purchases of imported goods from overseas via third party platforms. The goods must be transported into the country through specially designed bonded zones, and the transaction (i.e., payment and logistics information) must be able to be checked by customs authorities. Compared to traditional trade, CBEC eliminates tariffs, and reduces VAT and consumption tax by 30 percent. Furthermore, original packaging and labeling can be used, and products are generally expedited through customs clearance.

There is a ceiling on individual purchases through the CBEC channel to prevent individuals from taking undue advantage of CBEC's tax policies. Single orders must be under 5,000 RMB (about \$700) and the total annual order per person cannot exceed 26,000 RMB (about \$3,750). Orders over this limit will not be allowed by the platform, or they will incur normal tax and tariff rates. For more information about CBEC in general, please see the [“Using the Cross border Ecommerce Channel to Increase US Food Imports to China”](#) GAIN report.

### **CBEC Pilot Zones Set Up in 31 Provinces and Municipalities**

The PRC set up its first comprehensive CBEC pilot zones in 2015 and has since greatly expanded the number of CBEC zones. CBEC operations can only happen inside CBEC zones under custom supervision. In November 2022, the PRC approved the latest batch of CBEC pilot zones, which included 33 CBEC pilot zones in cities and regions across the country, even including Northwest Xinjiang and Tibet Autonomous Regions and Southwest Yunnan and Guizhou Province, and various third-tier and fourth-tier cities in central and north China. The extension of CBEC pilot zones to the central and western regions where e-commerce is less developed, demonstrates China's vow to develop CBEC. Industry experts also believe that setting up CBEC pilot zones in remote cities will play a positive role in driving open trade and developing the local market economy.

**FIGURE 2: PERCENTAGE OF CBEC TRADE BY REGION (2022)**



As of 2023, China has 165 CBEC pilot zones located in 31 provinces. The geographic spread of CBEC pilot zones reflects the development and popularity of CBEC trade to some extent. Guangdong (21 pilot zones), Jiangsu (13 pilot zones), Zhejiang (12 pilot zones), and Fujian (8 pilot zones) are the most active CBEC provinces, which together compose more than 70 percent of China’s total CBEC trade value.

**Data Source: GACC**

### **CBEC Positive List**

Only select products that are on the PRC’s “CBEC Positive List” can be sold through the CBEC channel. The PRC has updated the positive list four times since its introduction in 2016, each time to include more products to meet consumers’ demand. For a comprehensive list of agricultural products on the positive list please see appendix I (updated from 2018).

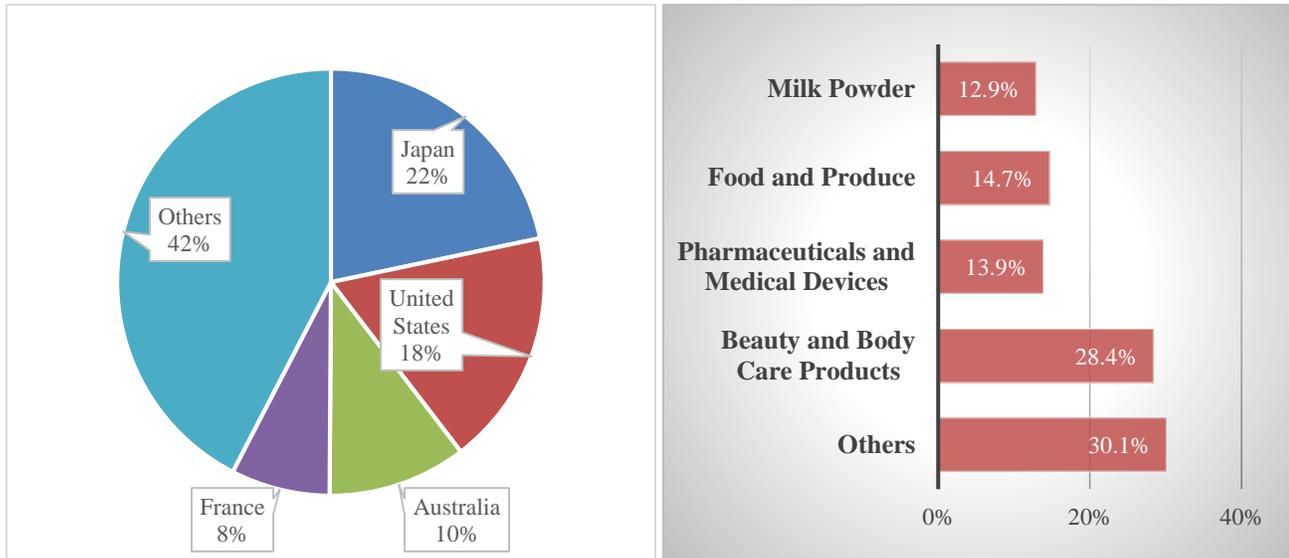
At present, the positive list includes 1,476 commodities, 426 of which are agricultural and related products. However, the PRC may update the positive list based on Chinese consumers’ demand.

### **Importing through CBEC**

Though the share of imports through CBEC have decreased compared to exports, it remains a popular format for consumers purchasing high quality imported foods, cosmetics, luxury items, and baby products not available via traditional common trade. There are two main methods to export via the CBEC channel: direct from the exporting country to consumers, called “Business to Consumer (B-2-C), or indirectly to consumers after being stored in Chinese CBEC bonded warehouses, called “Business to Business to Consumer” (B-2-B-2-C).

GACC data shows that for CBEC import countries, Japan takes the largest share at 21.7 percent, followed by the United States at 17.9 percent, Australia at 10.5 percent, and France at 7.5 percent. Across CBEC imports categories, consumer-oriented products account for 98.3 percent, among which food and produce account for 14.7 percent and milk powder for 12.9 percent.

**Figure 3: China CBEC Top Four Import Sources and Categories**



Data Source: GACC

### CBEC Import Cooperation Modes

Major CBEC platforms have two modes for imports: direct import and platform open plan (POP). The detailed operation process for the two modes will differ slightly on the various platforms but the general operation and requirements are similar. This section provides an overview of the modes while more specific information about each platform’s cooperation modes can be found in the following section on major CBEC platforms.

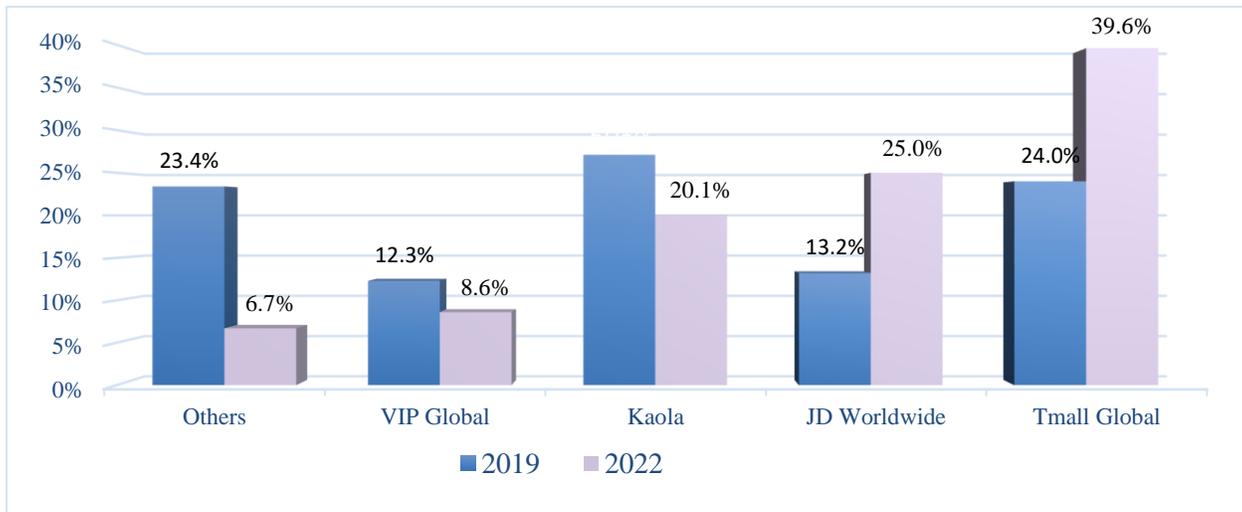
**Direct import:** Platforms will purchase the products from exporters and directly manage operation and sales of the purchased products. Under this mode, the platform will request exporters to register information about the company and products, provide exporter’s overseas entity documentation, as well as brand authorization letters or other documents (i.e., invoice) that could prove the products supplied are authentic through formal business channels. Also, depending on the product categories, exporters may need to pay a security deposit.

**Platform Open Plan (POP):** This mode requires exporters to directly operate a shop on the platform and manage daily operation themselves. This requests some level of expertise and language skills as exporters will need to localize product information and marketing materials so that customers can navigate the store. Platforms will request that exporters register company and product information, provide overseas entity documentation, and pay a security deposit. What differentiates POP from direct import is that exporters need to have a Chinese third-party endorsement company that will bear legal liability for the online store’s operation in China and submit this company’s information to the platform. The requirement of an endorsement company and security deposit serves as a means of managing risk from hosting the products on their platform. Most platforms can provide a list of endorsement companies and store operation agents for overseas exporters who don’t have these resources in China.

## Major CBEC Import Platforms

Major CBEC import platforms include Tmall Global, JD Worldwide, Koala, VIP Global, and others. According to industry data, Tmall Global is now the largest CBEC import platform with nearly 40 percent of the market, followed by JD Worldwide and Kaola with 25 and 20 percent, respectively. This is compared to 2019 when Kaola had the largest market share (27 percent), followed by Tmall Global with 24 percent and JD Worldwide with 13 percent.

**Figure 4: Comparison of China CBEC Platforms Market Share (2022 vs 2019)**



Data Source: Analysys.cn

U.S. exporters interested in working with these platforms should reach out to individual platforms to understand more specific information such as available product categories, cooperation modes, payment terms, requested qualifications, deposits, and more. Some useful information about the platforms can be found below.

**TMALL GLOBAL**  
**天猫国际** [Tmall Global](#) is the CBEC channel of Tmall, the longest established and largest online retailer - formerly known as Taobao Mall and operated by the Alibaba Group. Tmall Global was launched in 2014. Its headquarters and China purchasing team are located in Hangzhou, Zhejiang Province. It currently hosts more than 39,000 brands with over 100 million active users. In addition to direct import, it allows overseas brands and retailers without operations in China to build virtual storefronts and ship products into China from their home countries. Tmall Global has a [website](#) with different cooperation mode details in Chinese, English and Korean. Contact information can also be accessed from this website.

## 京东全球购 JD Worldwide

[JD Worldwide](#) was launched in 2015 by JD.com, one of the largest e-commerce platforms in China with headquarters and a purchasing team in Beijing. It currently hosts more than 20,000 brands from more than 100 countries and regions. Like Tmall Global, JD Worldwide can directly import products and also functions like an online shopping mall where brands, franchisees, and third-party retailers can open up and operate storefronts. JD Worldwide also has a [website](#) for interested suppliers to understand the different cooperation modes in Chinese, English, Korean and Spanish. Contact information can also be accessed from this website.



[Kaola.com](#) was launched in 2015 and used to be the largest CBEC platform focusing on direct import before it was acquired by the Alibaba Group in late 2019. Though both are CBEC channels under Alibaba Group, Kaola provides easier access for a wider range of brands that are in demand whereas Tmall focuses on well-established international brands and serves as an official, public-facing online store for these brands. Kaola has more focus on social media interaction among its members. Compared to Tmall Global and JD Worldwide, Kaola provides limited offerings of food and beverage products. Its cooperation details can be found from [this link](#) with Chinese and English available.



Douyin (known as TikTok in overseas markets) with 800 million daily users has begun to expand CBEC business this year. After Douyin Supermarket was launched in January, it started two channels for CBEC business: Global Preferred Imported Supermarket for overseas brand merchants to utilize (same as POP of Tmall Global and JD Worldwide), and Douyin Imported Supermarket (same as direct import of Tmall Global and JD Worldwide), focusing on self-operated operations. Currently, there are very limited food and beverage categories on the CBEC channels. However, Douyin, the largest livestreaming e-commerce platform in China has demonstrated strong momentum and is expected to continue to grow.

### Market Opportunities

**U.S. agricultural products are in demand.** Post has observed that major CBEC platforms are eager to attract U.S. food and beverage suppliers to sell products, including both popular brands and newer brands with less market awareness. In particular, JD Worldwide has shown strong interest in U.S. food and beverage products that are currently not available in the China market, along with consolidated containers of snack food sold in big chain retailers and online platforms in the United States.

As for agricultural categories, contacts reported that milk and milk powder are the most popular category for most platforms. Pet food has maintained steady growth. Beverage, snack food, and fresh

products have the most potential for growth in the next five to ten years as the current share of these categories through the CBEC import channel is relatively low.

**Cold chain is now available in CBEC.** The CBEC positive list started to include products needing refrigeration in January 2019 when most CBEC pilot zones did not yet have cold-chain facilities. In late 2019, Tmall Global created an end-to-end service that handles shipping for temperature-sensitive products, solving the challenges faced by overseas brand looking to sell fresh items to China via CBEC. JD Worldwide started their cold-chain business in 2021 and now has cold-chain warehouses in Shenzhen, Ningbo, Suzhou, and another one in Tianjin under construction.

Contacts reported that CBEC cold chain warehousing has not yet been widely utilized and currently the share of CBEC cold chain products is less than one percent. This is likely because the current CBEC sales volume is not large enough to buffer the costs of cold chain logistics, coupled with the fact that there are not sufficient cold-chain products included in the positive list. Furthermore, overseas exporters' limited awareness of the CBEC channel's cold chain capabilities is a big challenge. It is expected that with more cold-chain warehouses established, there will be more opportunities in the future.

**CBEC may be an avenue for small and medium-sized enterprises (SMEs).** Since the CBEC channel reduces administrative import barriers, streamlines custom clearances, and generally has shorter lead times, CBEC provides an opportunity for U.S. SMEs with less resources to explore the Chinese market. Most major platforms welcome overseas SMEs to join their CBEC business by offering specialized teams to assist with establishing products on platforms, provide English cooperation guidelines, and offer comprehensive resources such as endorsement companies and operation agents. Major CBEC platforms like Tmall Global and JD Worldwide even have overseas offices in the United States. In most cases a CBEC online store can be launched in a matter of months.

CBEC platforms are interested in working with overseas traders that can supply brands and products that are not available in China through the traditional trade channel. As most popular brands have established their own distribution channels in the market through traditional trade and will authorize Chinese importers or distributors to manage the CBEC channel, the price CBEC platforms offer for such brands is less price competitive. Thus, platforms are interested in working with SMEs with new-to-market items.

It is also reported that consumers are less brand sensitive for CBEC cold-chain products, which may also provide SMEs a competitive opportunity to showcase their products.

### Recommendations for U.S. Exporters

**Check which platform works best for your products.** It is important for U.S. exporters to carefully choose which platform to sell your products on as different platforms specialize in different products. Although major CBEC platforms all have food and beverage categories, each of them has their own

purchasing strategy for each category. U.S. exporters can access platform websites to check whether there is a fitting category for potential products and check out competitor offerings. Exporters can get a first impression of which platforms match with which products. However, as CBEC is a relatively new channel with less exporter awareness, a product may not be currently listed on a platform, but that platform may be interested in promoting it. It could be an opportunity to be the first company to offer a specific product so long as it is on the positive list.

**Select appropriate mode.** Major platforms have POP and Direct Import modes. Contacts reported that the direct import mode has higher requirements on brand awareness and exporter's qualifications. Usually, the platform prefers to select well-known brands for direct import operations as these brands have a larger group of consumers to support sales and more efficient inventory turnover. In addition, platforms' first choice is to work with overseas brand owners directly as they can ensure stable supply and provide support on marketing and promotions. If working with importers or distributors, CBEC thoroughly considers stability of price, supply sustainability, operation capability, and minimum order quantity as key factors.

For POP modes, exporters should understand each platform's requirement in advance. As POP modes require some level of expertise and language skills, it will be better if U.S. exporters already have a trustworthy Chinese partner that could serve as an endorsement company and operational agent for the store. If not, platforms can provide resources, but U.S. exporters should select its CBEC partners carefully and evaluate potential risks.

**Consider other CBEC service providers.** In addition to the major CBEC platforms mentioned above, post visited CBEC pilot zones in different cities, and learned that most CBEC pilot zones have individual CBEC service companies which can serve as a one-stop-shop for overseas exporters wishing to enter the Chinese market. These companies usually have warehouses, logistics, and even offline demonstration stores inside the pilot zone. Big CBEC platforms with warehouses inside the CBEC pilot zone also use those local CBEC service companies for storage and logistics. For small and medium sized U.S. exporters, one might find that these companies have looser requirements for exporters' qualifications and that they almost exclusively provide services to small and medium sized companies.

## Conclusion

The CBEC platform offers a unique opportunity for companies looking to export to China, especially those with new-to-market products, or those companies less familiar with the Chinese market. Within the set threshold, individuals can enjoy zero tariffs and reduced taxes on imported products. Therefore, sales on CBEC cannot be compared to traditional trade, which can do both direct to consumer and direct to business sales. However, CBEC provides a potential route for businesses looking to test products in the China market, offers tariff exclusions, and shorter lead times. This is especially friendly for SMEs wishing to explore market opportunities with limited business experience and resources in the market.

For more information about this report, please contact:

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This office covers Beijing, Tianjin, and Chongqing; Hebei, Henan, Shanxi, Shaanxi, Qinghai, Gansu, Hubei, Hunan, Guizhou, Yunnan, and Sichuan Provinces; Ningxia, Xinjiang, Inner Mongolia, and Tibet Autonomous Regions.

**Attachments:**

[Appendix I Update to Positive List of Cross-border Ecommerce Retail Imports .docx](#)