

Countermeasures of Export Credit Insurance Boosting Innovation and Development of Cross-Border E-Commerce in the New Era

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Abstract: At present, the continuous spread of global novel coronavirus has significantly increased the uncertainty and instability of our foreign trade development. At the same time, our country's economic development is in the stage of high-quality transformation, which has given new opportunities and new missions for the development of foreign trade. Based on the Report on the Work of the Government in 2021, this paper analyzes the current development of Sinosure, explores the necessity and feasibility of reforming the traditional mode of Sinosure, and puts forward some important measures for China's Sinosure mode. Its significance not only facilitates the transformation and upgrading of cross-border e-commerce, but also provides new thinking for the high-quality development of foreign trade industry in the new era.

Keywords: COVID-19; foreign trade; quality development; cross-border e-commerce export credit insurance

1. Introduction

Our country's economy has shifted from a high growth stage to a high quality development stage, and is now in an important period of change of mode, optimal structure and turning power. The high quality development of trade (including domestic trade and foreign trade), as the throat of the national economy, determines the quality and efficiency of China's economic development, and the high quality development of foreign trade is the key to enhance China's comprehensive national strength and cope with the increasingly fierce international competition and the game between big countries. By February 12, 2022, 143051 cases had been confirmed in our country and over 400 million cases in foreign countries. The rapid global spread and wide spread of NCSP has seriously impacted the global production network system and has a strong impact on the development of international trade. "Expand the coverage of Sinosure, optimize the conditions for underwriting and claim settlement", which has been explicitly mentioned in the Government Work Report for seven consecutive years as "Sinosure". In the 14th Five-year Plan for the Development of Commerce released by the Ministry of Commerce (MOFCOM), it is also emphasized that it is urgent to promote the innovation and development of foreign trade in order to cope with and adapt to the risks and challenges both at home and abroad. Rainbows and storms coexist, opportunities and challenges coexist, this is an eternal dialectical law. Under

the new era of promoting the high-quality development of foreign trade and facing the global spread of the COVID-19, analyzing the development status quo of export credit insurance at home and abroad, adapting to the insurance application scenarios in the new era and reforming the Sinosure mode are not only conducive to innovating the development mode of cross-border e-commerce, but also the only way to promote the stability and farther development of the foreign trade industry of our country.

2. Circumstances of Cross-Border E-Commerce in the New Era

2.1. With the High-Quality Development of Foreign Trade, Cross-Border E-Commerce has a Broad Development Prospect

2.1.1. COVID-19 to push cross-border e-commerce

Since the outbreak of the COVID-19 in late 2019, the epidemic has gradually become a normal phenomenon. By the impact of the epidemic, some of the development of offline economies were hit, online trade ushered in huge opportunities, accelerated evolution of transaction methods. China's e-commerce is developing rapidly. Looking at the world, in the field of cross-border e-commerce market transaction scale to expand. And the digital transformation process of foreign trade is accelerating [1].

Cross-border e-commerce market scale continued to expand. The transaction scale of China's cross-border e-commerce market continues to expand, reaching CNY10.5 trillion yuan in 2019, an increase of 16.67% compared with last year. Under the impact of COVID-19, global online trade continues to boom, and in 2020, China's cross-border e-commerce market transaction scale will reach CNY12.5 trillion, and the growth rate will accelerate, up 19.05% from CNY10.5 trillion in 2019, with the market scale expected to reach CNY14.6 trillion in 2021.

2.1.2. Policies to boost cross-border e-commerce

In the context of COVID-19, many small and medium-sized enterprises have been impacted, and the government has issued a large number of policies to support them since 2020. Foreign trade is an important part of China's open economy and an important driving force for the development of the national economy. It is one of the main

ways to connect domestic and international markets and promote the domestic and international double circulation. In the field of cross-border electricity, pulling force of the government is particularly important, the government not only need to specify the related measures, and to provide a suitable for long-term development environment, including but not limited to, such as simplifying procedures of import and export declaration of audit process, also need the government to provide help for the money, such as to reduce or exempt from some taxes. By summarizing some policies on cross-border e-commerce in 2021, it is not difficult to see that the Ministry of Commerce, The State Council, the General Administration of Customs and other authorities jointly issued policies and official documents to vigorously support the development of China's cross-border e-commerce industry. China is a fertile land for cross-border e-commerce to take root and sprout [2].

2.2. As the Epidemic Becomes More Regular, Development Issues Become More Acute

2.2.1. Financing obstacles exist in cross-border e-commerce enterprises

Faced with the impact of the epidemic, many small and medium-sized enterprises can hardly make a living by themselves, especially small and medium-sized cross-border e-commerce enterprises. The industrial chain involves many aspects, and the supply chain is relatively immature, requiring huge capital to drive development and maintain operation. In the small and medium-sized cross-border e-commerce enterprises, the financial system has defects, the market scale is small, the order business is limited, and the ability to resist risks is weak. When faced with sudden and uncertain international events, they cannot effectively predict and respond. It is often difficult for them to be favored by the capital market, there is a serious lack of financing supply. Especially in 2020, under the shadow of the epidemic, capital chose to wait and see. The financing amount of China's cross-border e-commerce industry was only 7.09 billion yuan, down 69.29% year on year. In addition, small and medium-sized cross-border e-commerce enterprises are small in scale, resulting in a lack of professional financial management and financing talents, relying only on traditional financing methods, such as bank mortgage loans, and the financing channels and financing methods are too single.

2.2.2. Credit problems of overseas enterprises emerge one after another

With the normal development of the epidemic, the import and export trade has brought many uncertainties, and the foreign trade situation is complicated. China's foreign trade encounters trade friction, trade protectionism is rising day by day, and international disputes over cross-border e-commerce in the construction of credit system are prominent. The exploration of payment methods of cross-border e-commerce is not mature and perfect, and the information security of payment cannot be effectively guaranteed. Overseas enterprises face risks such as low performance and shortage of capital flow supply chain. In

contrast, China's export enterprises face risks such as rejection and foreign exchange difficulties, and some overseas illegal elements take advantage of the epidemic to seek personal gains and commit trade fraud against China's export enterprises. In the real case of Sinosure, credit problems emerge one after another.

2.2.3. Cross-border e-commerce logistics and transportation risks are increasing

In the new era, the development of cross-border e-commerce has been further upgraded, bringing more logistics business needs. However, cross-border e-commerce logistics cycle is long and distribution efficiency is low. Compared with traditional domestic e-commerce logistics, cross-border e-commerce logistics covers transportation, import and export customs clearance approval, overseas warehousing and many other links. The transportation distance is long, the formalities are tedious and long, and the goods need to be examined and quarantinable, which leads to a long logistics cycle and makes it difficult to track the whole process of logistics distribution. In particular, against the backdrop of the epidemic, logistics risks and uncertainties of cross-border e-commerce have increased. In addition, the current international situation is complicated, the trade situation is unstable, the trade barriers between countries are numerous, and trade protectionism is heating up, which seriously hinder the smooth development of cross-border logistics.

3. Development Status of Export Credit Insurance in Cross-border E-commerce Industry

Guided by the opinions of the policy on accelerating the development of new business forms of foreign trade and promoting the high-quality development of foreign trade, it is necessary to strengthen the support for the development of cross-border e-commerce in the future. However, the existing export credit insurance model has many disadvantages [3]. This part studies the existing problems and causes of China's export credit insurance to help cross-border e-commerce industry, which provides the basis for this topic to explore innovative development strategies.

3.1. China's Export Credit Insurance Boosts Cross-Border E-Commerce Status

In order to cope with the potential risks in cross-border business, the insurance industry has explored and generated a variety of new schemes to mitigate risks and ensure the smooth completion of transactions between all parties, in which export credit insurance is gradually applied to cross-border e-commerce as an effective means to avoid risks. In recent years, Sinosure has provided risk protection for cross-border e-commerce, fully supported the accelerated development of new cross-border e-commerce trade modes, and provided "credit protection force" for the transformation and upgrading of foreign trade. Through export credit insurance to bear the risks and losses that may arise in the transaction, the transaction enthusiasm of both parties increases greatly, and promotes

the further benign development of cross-border e-commerce.

Due to the characteristics of cross-border online trading, length of transaction, distance of transportation, efficiency of customs clearance for imports and exports and other reasons, compared with domestic e-commerce, the risks of cross-border e-commerce are more complex and changeable, so the corresponding insurance premiums will be more expensive, and it is difficult for policyholders to make a correct choice between payment and income.

3.2. Existing Problems and Cause Analysis

3.2.1. Single type of insurance and lack of flexibility in pricing mechanism

On the whole, the structure of export credit insurance is relatively single, the pricing method of "one-size-fits-all" is basically adopted, and the pricing mechanism lacks flexibility. Firstly, the reason for the scarcity of insurance types is that, on the one hand, the insurance regulatory authorities of our country have tightened up the examination and regulation of insurance types, and some novel export credit insurance types that have not passed market inspection may not pass the examination and approval. Another reason is that the insurance companies, out of the consideration of risk aversion, fear that the market acceptance of new insurance products is limited and can not achieve the expected objectives, so they stop at the idea and fail to carry out the innovative practice of export credit insurance.

The rigidity of the pricing mechanism stems from the fact that no matter who is insured or which insurance is insured, the premium is calculated by multiplying the amount insured by a fixed rate. Under such circumstances, it is easy to see the phenomenon of adverse selection of insurance. Therefore, insurance companies raise the premium rate to cope with the phenomenon of adverse selection of insurance, and those cross-border e-commerce consumers who consider themselves to be low in risk will directly abandon the purchase of insurance. The final result may make the export credit insurance exit the market due to unsustainability. The reason why the pricing mechanism of export credit insurance is not flexible enough and the premium rate is high lies in the fact that the current export credit insurance is purely policy-based and lacks the flexible adjustment of the "invisible hand" of the market.

3.2.2. Digital service capability of export credit insurance information system to be improved

With the continuous development of export credit insurance and cross-border e-commerce, the demand of insurance demanders for their convenience has increased accordingly [4]. With the rapid development of the digital economy, export credit insurance has not been integrated with the digital economy in a timely manner, the information system is still backward, and the perfect digital transformation has not been achieved. The reason for this situation is that the digital transformation of insurance is a costly system engineering, the transformation needs professional talents, and the talents

in this regard are scarce, and the last is that the digital transformation of insurance needs the combination of tradition and new technology.

3.2.3. Higher export credit insurance premium rate and lower insurance coverage.

According to various data, the average premium rate of China's one-year export credit insurance has basically reached 0.7% -0.9%, and even reached 2% for Eastern Europe, South America, Africa and other risky regions, while the average premium rate of developed countries' three-year export credit insurance is less than 1%. The average premium rate for China's export credit insurance was 0.45% in 2014 and reached 0.8% to 1% by 2019. However, the average premium rate of developed countries is only 0.1%, in contrast, China's export credit insurance premium rate is obviously higher. In the first half of 2018, the export volume covered by China's export credit insurance accounts for only about 1% of the export volume of the current year, and the number of enterprises insured is less than 8% of that of export enterprises, and the export insurance coverage ratio of cross-border e-commerce industry, mostly small, medium and micro enterprises, is even less. It can be seen that the excessively high premium rate increases the export cost of enterprises, weakens the international competitiveness of export products, and affects the enthusiasm of enterprises [5].

Due to the lack of price competition among many institutions, Sinosure is able to monopolize prices, and the government undertakes a large amount of compensation and recovery costs.

4. Innovative Countermeasures for the Development of Sinosure to Boost Cross-Border E-Commerce

Driven by the epidemic, physical retail has been severely damaged. But the growth rate of cross-border e-commerce is much faster than the overall growth rate of international trade, showing a strong market development potential. Guided by the domestic policies on improving new business forms of international trade and promoting the high-quality development of international trade, the development of cross-border e-commerce shall be supported by the export credit insurance [6]. Therefore, in special periods, it is very important to put forward innovative business strategies to better promote the growth of cross-border e-commerce, conducting to the international trade economy and development of the new momentum of foreign trade.

4.1. Objectives and Principles for the Development of Export Credit Insurance to Facilitate Cross-Border E-Commerce

4.1.1. Principle of sustainable development, to avoid radicalization

If Sinosure's innovation reform is carried on, our country must base on nation development situation and the present situation of international trade. With regard to the support for the cross-border e-commerce industry, the improvement of Sinosure must be carried out step by step and tailored to the needs of each individual. More

importantly, we shall not completely copy the mode and method of western countries in bland and repaid way. Cross-border e-commerce is an emerging development industry, at the stage of rapid development, so each step taken by Sinosure should be more prudent. Therefore, Sinosure should be reformed and innovated gradually on the basis of the free mode, so as to discover and adjust the adaptation problems in the process [7].

4.1.2. Principles of digitization, to eliminate information asymmetry

At present, Sinosure should make further efforts in digitalization. It is advisable for Sinosure to form an information sharing pool with banks and export enterprises, and should re-use the support of information technology platform and big data, and to establish an enterprise information database, building a bridge between them. For export trade enterprises with good development potential, economic strength and good business conditions, information on their advantages shall be provided to enable banks to provide loans and financing convenience for micro, small and medium enterprises. It can also carry out cooperation more effectively, and avoid issues such as bad corporate reputation or poor financing matching as much as possible. By relying on the strength of information integration of Sinosure, banks and export enterprises can better achieve economic benefits. This benign interest chain can achieve the improvement of social benefits, forming a win-win development situation.

4.2. Suggestions on Sinosure to Facilitate the Development of Cross-Border E-Commerce

4.2.1. Initiating commercial export credit insurance

Export credit insurance is divided into policy insurance and commercial insurance according to the size and characteristics of insurance risks. We suggest that commercial insurance should be provided for cross-border e-commerce [8]. The reform should be considered with reference to the successful development modes of developed countries and in light of the specific operation conditions of Sinosure. The export credit insurance business with big risks, low returns and long periods, which cannot be operated by commercial insurance companies according to the principle of assuming sole responsibility for profits and losses, shall be determined as policy insurance. Contrastly, the export credit insurance business with relatively small risks, such as short-term export credit insurance (because of its small risks, the trend of large-scale commercialization has appeared abroad), which may be operated according to the principle of assuming sole responsibility for profits and losses, shall be determined as commercial insurance.

4.2.2. Establishment of information sharing platform

Governments and private insurance companies shall establish information sharing platforms so as to build a sound information system and risk prevention and control system, for the purpose of expanding information sources and reducing information acquisition costs. Only with sufficient and reliable information, can Sinosure provide

accurate information consultation to policyholders, scientifically estimate various risks in the export credit insurance business and then determine the premium rates. The business scope of commercial insurance institutions shall be strictly limited, and Sinosure shall assume the responsibility and role as the final insurer for the business that commercial insurance institutions are unwilling or unable to undertake. In addition, the supervision and administration system and mechanism for marketable business shall be continuously improved to ensure the lasting operation of such business and the realization of benign competition and mutual promotion with policy-related business.

4.2.3. Implementation of "double insurance" on cross-border e-commerce

Sinosure is still operated exclusively by the government, but all private commercial insurance companies are allowed to provide marketable commercial insurance for cross-border e-commerce, a special industry and assume sole responsibility for their own profits and losses, that is, to provide both "policy insurance" and "commercial insurance" for cross-border e-commerce [9]. On the one hand, for cross-border e-commerce, the competition of "double insurance" is conducive to effectively lowering the premium rate level of export credit, reducing the insurance pressure of cross-border e-commerce export enterprises and raising the awareness of business operators to buy insurance. Therefore it can result in increasing the coverage of export credit insurance in this industry; on the other hand, for export credit insurance, the introduction of commercial insurance can generate a healthy competitive relationship between them, so as to improve the service management level of export credit insurance of our country. Moreover, they can also reach an efficient cooperation relationship, mutually improving the enterprise information system and risk prevention and control system. It is helpful to promote the development of export credit insurance of our country and the whole insurance industry to reach a higher quality.

5. The Necessity and Feasibility of Reforming the Traditional Mode of Export Credit Insurance

With the rapid development of cross-border e-commerce, export credit insurance in this application field is currently in a continuous exploration stage in our country. In the context of the new era, export credit insurance to help cross-border e-commerce is facing greater difficulties and challenges. This part will further analyze the above countermeasures and suggestions on the traditional mode of export credit insurance reform, elaborate the necessity and feasibility of this measure, and provide theoretical support for the possible transformation and upgrading of export credit insurance.

5.1. Necessity

5.1.1. Risk sharing to reduce the government's pressure on underwriting.

In recent years, the overall scale of China's foreign trade business has been growing rapidly. In 2020, for the first

time, the total underwriting amount of Sinosure in the whole year exceeded USD700 billion, of which the supported export exceeded USD580 billion, accounting for 22% of China's total export. As shown in Table 1 and Figure 1, from 2015 to 2020, the insured amount of our country increased year by year, from US \$471.51 billion to US \$704.07 billion, and the loss ratio increased from 56% in 2015 to 78% in 2020. The rising loss ratio, to a certain extent, reflects the increasingly perfect operation and management of China's export credit insurance, but also reflects the increase in Sinosure costs. At present, there is still a big gap between the export credit insurance risk capital of our country and the total amount of export of our country each year [10]. Compared with the developed countries, our country lacks an effective and transparent budget management mechanism, so the government bears great financial pressure.

Table 1. Sinosure Data 2015- 2019

	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020
Insured amount	4715.1	4731.2	5245.9	6122.3	6097.9	7040.7
Settled claim	14.5	12.7	13.7	19.5	13.7	18.1
Underwriting premium	26	25.5	27.4	29.2	20.8	23.3
Settled loss ratio.	56%	50%	50%	67%	66%	78%

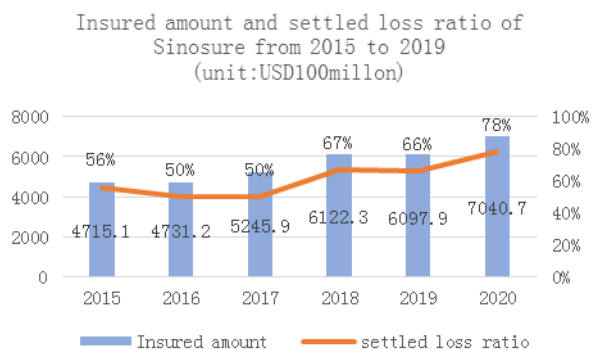


Figure 1. Insured amount and settled loss ratio of China's export credit insurance from 2015 to 2019 (unit: USD100 million)

5.1.2. Lower rates and expand insurance coverage

Various data show that the export credit insurance premium rate in China is obviously high, the number of enterprises insured is insufficient, and the coverage rate of export insurance in the cross-border e-commerce industry, mostly small, medium and micro enterprises, is even less. The reason is that the excessive premium rate causes the increase of cross-border e-commerce export costs and affects the enthusiasm of enterprises for insurance. The policy-based operation mode of export credit insurance of our country causes insufficient competition, price monopoly, and the government bears large-scale indemnities and recovery expenses, which makes it difficult to lower the premium price [11]. Therefore, it is reasonable to follow the higher rate of export credit insurance premium of our country. In order to promote the

development of cross-border e-commerce industry, it is imperative to reform the traditional export credit insurance model. In many developed countries, partial commercial or commercial coverage of export credit insurance has formed a price competition mechanism, which enables enterprises to buy insurance at a lower price, and thus provides conditions for the expansion of insurance coverage.

5.1.3. Cooperation and competition to improve service management capability

The coexistence of "commercial insurance" and "policy insurance" can form a moderate competition and beneficial cooperative relationship between them, so as to improve the management level of export credit insurance [12]. Relying on the government, Sinosure can provide more comprehensive risk management and control information for commercial insurance institutions, while Sinosure can learn from the management characteristics of commercial insurance companies to better improve the service quality and efficiency of export & credit insurance institutions. Through the benign competition and cooperation between "commercial insurance" and "policy insurance", export credit insurance can better help the rapid development of cross-border e-commerce industry and promote the new development of foreign trade economy of our country.

5.2. Possibility

5.2.1. Particularity of cross-border e-commerce industry

Since the establishment of Sinosure in 2001, the policy-related features of Sinosure have been particularly obvious, and the necessary conditions for the existence of policy-related insurance, namely, excessive risks in insurance business, too many unforeseen factors, insufficient risk diversification capacity of private enterprises, and inevitable losses arising from the commercialization of private insurance enterprises, shall be reconsidered for the cross-border e-commerce industry. With the development of Internet technology and the strengthening of globalization trend [13], the cross-border e-commerce industry shows the characteristics of "large industry and small enterprise", and its average single sales volume is not more than that of traditional foreign trade enterprises. Even after the outbreak of the epidemic, the foreign trade risks have increased sharply, Private commercial insurance companies are fully capable of implementing the commercial insurance model for the cross-border e-commerce industry [14]. Moreover, the cross-border e-commerce industry, as an emerging industry, really needs to promote its vigorous development through insurance and other means, and the introduction of the insurance mode of coexistence of "policy insurance" and "commercial insurance" to the cross-border e-commerce industry can achieve a win-win situation for private insurance companies and the cross-border e-commerce industry.

5.2.2. Long-term development of export credit insurance

The pure policy operation mode of export credit insurance has been more than 30 years since the

establishment of export credit insurance business by PICC in 1988 and the establishment of wholly-owned company by government in 2001 [15]. However, compared with the developed countries, the development of export credit insurance of our country is still at the primary stage, and with the continuous change of our country's actual situation, the development of export credit insurance still has a great space. At present, it is impractical to completely change the operation mode of "policy insurance" of export credit insurance [16]. However, by learning from the rich operation experience of export credit insurance of developed countries and relying on the risk identification system and compensation mechanism accumulated by the government for many years and increasingly improved in modern society, the development and reform of export credit insurance is the trend of the times.

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