

Industrialization of Electronic Commerce in China

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I Policy Guidance

In his opening speech for “2001 Fortune Global Forum” in Hong Kong on May 8 2001, President Jiang Zemin pointed out “China will develop e-commerce forcefully, accelerate the informatization process, and support enterprise to engage in international cooperation and exchanges by modern inter-net technology.” Chinese government has ever since paid much attention to the development of e-commerce. Early in 2001, the Fourth General Conference of the Nine-th National People’s Congress passed “The 10th Five-Year Plan for National Economy and Social Development”. This “Five-Year Plan” states specifically “to promote e-commerce forcefully through accelerating the establishment of electronic certification system, modern payment system and credit system”; “to upgrade the mechanism of sales, transportation and related services through e-commerce especially the application of Business to Business e-commerce”.

In order to achieve the goal of furthering the promotion and acceleration of e-commerce throughout China in the coming 5 years, Chinese government will provide nurturing environment for development in technology, inter-net, business, law and so on. Specifically, the government will accelerate the process to issue appropriate laws and regulations in taxation & customs, e-payment, e-signature, certificate authorization, inter-net related IP; to establish modern logistic system throughout China; improve financial auditing and supervision system; accelerate CA and credit system, especially the corporate credit and consumer credit system; emphasize promoting the application of e-commerce in finance, foreign trade, taxation, customs, railways, transportation, steel industry, petroleum industry, auto-industry, construction materials industry and so on. At the same time, priority will be given to the informatization of large-scale stateowned-enterprises and the discussing & rule-making process in bi-lateral and multilateral laws, standardizations, and other rules of e-commerce with other countries.

II Changes in E-commerce Model

Within the circumstances of the trend of the world economy development, China's e-commerce has entered a new developmental stage. With China's entry into WTO getting closer, more and more Chinese companies are realizing the significant changes China's WTO debut will bring to international trade and industry environment, and in turn the importance to improve competition through e-commerce. Chinese companies are investing heavily in technology and human resources to embrace the new managerial and sales methodology.

III Achievements in Information Infrastructure Create

Basic Foundation for E-commerce Development in China

China has made significant progress in inter-net infrastructure in the ninth five-year period (1995 – 2000), thus laying relatively solid foundation for e-commerce development. The average growth rate of the IT industry has been around three times the rate of GDP and it has been averaged above 20% in the past ten years. Total number of telephones surpassed 280 million (mobile 120.6 million); 70 countries and districts are connected with China with direct telephone services; 108 mobile communication networks 59 countries and districts provide roaming services for Chinese mobiles; 7 companies have been authorized with telecommunication services; 112 national computer systems; 30 million computers; and inter-net users reached 25 million by June 2001.

Through research and development in adopting advanced technology from foreign countries, we have gained practical experiences in developing Chinese style e-commerce information exchange platform, which is based on XML standard, open and extendable. The platform has been successfully developed and put into application.

By April 2001, total websites reached 238 thousand (77.8% enterprises and 5.4% commerce). Of the enterprise websites, 11.2% practices sales through inter-net (5.9% B2C, 4.9% B2B, and 1.4% procurement). Of the commerce websites, 45.5% provide e-commerce service (18% B2C, 15.8% B2B, 3.4% stock trading, 2.6% ticketing service, 1.1% auction).

IV International Cooperation

We have established exchange programs with many countries in the world in information technology, organized various international e-commerce conferences, forums and seminars. We are working with APEC, ASEAN countries, ITU and other international agencies and organizations to jointly explore issues and to promote e-commerce development. We are also working with GIIC and other international organizations and associations to explore cooperation to promote e-commerce in China.

China E-commerce Association (CECA) was established with the approval of the State Council to further promote e-commerce development throughout China. The CECA acts as the bridge between government agencies and enterprises in doing e-commerce related businesses. The CECA has been exploring cooperation with related associations and enterprises in Hong Kong and in many other countries.

V Major Issues in E-commerce in China

(1) Standard Criterion and Construction of e-Commerce Platform

E-commerce platform is of great interests to all e-commerce enterprises. The e-commerce platform includes not only inter-net infrastructure platform but also information exchange platform. It embraces both public ingredients and industrial & entrepreneurial characteristics. In order to achieve the goals of inter-connectivity and resource sharing, a series of standards and specifications must be considered and observed. On the side of inter-net infrastructure, TCP/IP protocol is a cornerstone and widely recognized. There has been general agreement for the e-commerce platform that specifications and standards should be complied with international standards, adapt to the special situation of China, open for new development, fits for the development in the future, and suitable to the development of market economy. That should be the starting point of our specification and standard establishment.

Another important issue is that the standards and specifications of e-commerce platform should be propitious to the industrialization of e-commerce and the users of e-commerce, be able to adapt to multi-environment, so that not only traditional businesses can benefit from the employment of e-business conveniently and quickly but also ordinary consumers can use it to improve the quality of life easily. The application of e-commerce should be as easy as using lamps and telephones, people should simply see the economic benefits of e-commerce.

(2) **Security of e-commerce**

E-commerce is realized in the network environment, especially in public computer networks. Because of the openness of inter-net systems, the security of e-commerce is a big problem. So we can see that the security problem is not only related to the operation of enterprises and benefits of consumers but also to the economic security of our country. This problem is complex, relating to the security technology and products and to the policy of our country. Further researches and discussions are needed as to how to build appropriate Chinese e-commerce security system.

(3) **The logistic of e-commerce**

E-commerce has 3 streams to consider in e-commerce, information stream, capital stream and logistic stream. Both information stream and capital stream are information transmitted over networks, which are not real cargos. Considered about the development of our country, logistic business is not fully developed. Services provided by enterprises in this field can't satisfy what e-commerce needs. As the biggest enterprise in logistic field, China Post has great advantage and potentiality to employ the distribution for e-commerce in China as it has good foundation and necessary resources. Progress in developed areas such as Guang Dong is significant, yet these still remains a lot of work to do to compete with international companies.

VI Actively Promoting E-commerce

Toward Industrialization

- (1) Steering the Correct Direction & Take the Opportunity**
- (2) E-commerce should be Developed toward Industrialization**
- (3) Construct e-commerce Infrastructure & Integrated Platform**
- (4) Build up New e-Commerce Operation Model**

We are exploring new e-commerce models so as to realize general connection, application and management and to transform complex e-commerce into simplified platform operations, thus creating an operation and service mechanism within which the openness and co-operation among various chains of e-commerce (business operation, security certification, distribution, application development and information service) can be achieved, ultimately establishing an all-win operation model.

Globalization process is accelerated. The development of Chinese economy is an integral part of the global economy. Global economy cannot develop well without China, and at the same time, China cannot develop well without the rest of the world. Information Technology and e-commerce are the driving forces of the global economy. We should take the advantage of the opportunity to realize industrialization of e-commerce in China. We should explore the e-commerce operation model adapt to our own situation, to exert the benefit of e-commerce, informatization should be the driving force of industrialization, contribute to the development of our national economy and society, and contribute to the progress and development of all human beings.