Development Strategy and Policy Tendency

For the E-commerce in China

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With the rapid development of globalization and information networks, information industry has been the most syncretic, the most potential, and the most increasing field in the world economics. Informatization has been the key to economic development. As a developing country in the period of economic transfer, China can not only utilize E-commerce to improve the efficiency of information and knowledge and to advance the revolution of resource disposing, to step up people’s ideas and quality of lives, but also can quicken the industrialization and optimize industry structures, thus to open up a new economic developing model with new productions, new services, and new markets from E-commerce.

For Chinese enterprises, the development of Internet and E-commerce will be a new channel of technique tools and transfer their business models. And the most of all, it is also a favorable chance for the Chinese economy to quicken the adjustment of economic structure on new platform, which will determine the competitiveness of Chinese economy in 21st century.

I. The General Situation and Experience of Chinese E-commerce Development

After being firstly introduced in 1993, E-commerce has developed rapidly in China with such characteristics:

1. Proliferation of Chinese Internet user. The number of Chinese Internet user is only 100 thousand in 1996. But in 2000 this number has exceeded 20 million. It is forecasted that the number of Chinese Internet user will be the first three in the world. Chinese next generation will be closer to computer and network. They are the new power of Chinese E-commerce.

2. Rapid development of ‘Golden Engineering’, which is based on computer networks.
Golden Bridge, Golden Cards, and Golden Taxes have covered many Chinese pilot cities. And a large-scale applied program named ‘Golden Trade’ has been started up in 1998 to push the E-commerce in Chinese commerce and trade areas. ‘Golden Engineering’ advanced the construction of Chinese information infrastructures and improved the popularization of Internet, which grounded experiences for the practice of E-commerce in China.

3. Constantly emerging of many websites with Chinese local characteristics. By June 2000, Chinese domain names have achieved 91000, Chinese websites have exceeded 27000, ‘cn’ domain names have been nearly 100 thousand. Chinese consuming E-commerce websites have been 1100 in March 2000. Chinese International E-commerce Networks, which was opened in 1998, has been a representation of Chinese websites. Its ‘Chinese Commodity Market’, which is the largest Chinese commodities purchase base in Internet and is called ‘the All-day Chinese Commodity Market’, has been visited 46264 times by visitors from 102 countries only four months after it was opened.

4. Enhancement of relative legal systems and industrial supervision with more opening of markets. The ordination of ‘Measures for Internet Information Service’ is a sign of Chinese E-commerce going to the legal regulations and will do good to the development of the industry. National Informatization Office will issue ‘Chinese E-commerce Frameworks’ soon. The Finance CA Center System, which is constructed by People’s Bank of China and other eleven commercial banks, has also been the stage of execution. Finance CA Center is the key to E-commerce, which ensures the Internet trade and payment.

5. The start-up of government-network-engineering. This can transmit government information more timely and can make it more convenient to communicate between governments and publics.

China is a big developing country. Chinese economic development is not in balance and needs to be enhanced. Therefore, the main experiences of Chinese E-commerce development are:

1. Fully exert the demonstration of governments. The construction of government networks can push the Informatization of whole economics.

2. Make full use of resources in universities to popularize information technology and knowledge on E-commerce and to construct the E-commerce platform facing enterprises.

3. Popularize and apply E-commerce actively in Chinese eastern areas, to accumulate experiences for western areas.
Therefore, Chinese E-commerce should take ‘imbalanceable’, ‘up to down’ and ‘layer upon layer pushing’ strategy, that is, centralizing resources, fully making use of the function of governments, universities and developed areas, and pushing the application and development of E-commerce in China.

II. Main Problems of Chinese E-commerce Development

In the process of economic transfer, China, just as other developing countries, must resolve series of social and economic problems such as enhancing economic strength, keeping sustained development, transferring functions of government, social stabilization and employment. Accordingly, problems in the development of E-commerce are:

1. Infrastructures of E-commerce development also need to consummate. In these years the construction of infrastructure of E-commerce development in China has been highly carried out, especially in coastal developed areas. But in terms of the whole view of E-commerce development, the infrastructures are deficient in many aspects such as network technology, network management, technique standard, consumptive level, communication speed, security and secrecy. New network technologies can’t be introduced from abroad. And the network construction has little whole programming and united instruction, which results in repeated construction.

2. It is also insufficient in the human resources for E-commerce development. Although some Chinese leading universities (such as Tsinghua University, Zhejiang University, etc.) have begun to cultivate special human resource on E-commerce, it is very short of experts with innovative ideas on network economy, network programming and management.

3. It is also waiting for cultivating the E-commerce markets. In the process of economic transfer, the market and its systems are not normal, the degree of credit is not high, self-discipline and supervision are insufficient. Chinese enterprises are also in the process of system reformation and enterprises’ information constructions are still on the way. Only half of the large-scale enterprises have emerged in the Internet, and only few of them have their homepages and www sever. Those have applied E-commerce are mostly the very few Ex-in enterprises. Though active in E-commerce, those middle-small scale enterprises do not understand the importance of E-commerce. Therefore, cultivating the E-commerce requirements and markets has been the key to Chinese E-commerce development.

4. The logistic system in China should be improved, because the well-planned logistics is the cornerstone of E-commerce.
5. It is also waiting for cultivating the policy environments of E-commerce development. Although some laws and regulations on network security and Internet have been issued, there is no united framework on E-commerce development. Those relative to E-commerce are not only sellers and buyers, but also business administration departments, customs, tax offices, banks, etc. Therefore, united laws, administrative frameworks, coordination and organization are needed. But the reality is insufficient.

III. Main Tendency of Chinese E-commerce Development

E-commerce brings a new chance for China. In 21st century, the tendencies of Chinese E-commerce development mainly are:

1. E-commerce infrastructure shall be improved. Image Communication Networks and Multi-media Communication Networks will be constructed. The government will strive to fuse the three networks. And the High-speed Broad Band Networks will play a more and more important role. Through technology introduction and independent innovation, the network bottleneck that restricted Chinese E-commerce development can be resolved step by step. Chinese E-commerce development will have favorable network platforms and applying environments.

2. Environments of E-commerce will be normative and perfect gradually. The social and business environments of E-commerce will be better rounded. Network population will increase rapidly and the market can be expanded greatly. Enterprises’ understanding of E-commerce will deepen, which enhances the pressure and possibility of applying E-commerce. With the ordination of some basic laws and regulations on E-commerce, its legal environments will be improved and E-commerce activities can gain efficient legal insurance. Government will play the key role in E-commerce security. And with the reformation of logistics systems, logistics of E-commerce will also be improved. The rapidly developing Third Party logistics can widen the matching and sending channels of E-commerce companies and decrease their cost.

3. Enterprises will deepen their development on E-commerce. With the innovation of E-commerce technologies and the enhancement of technique integration, Chinese E-commerce companies will develop from the primary models such as On-line Shops and On-line Doors to such models as Core Business Process Reengineering and Customer Relationship Management, etc., to bring production and service close to customers. Through setting up new value chains, enterprises can unite the advantages of suppliers and customers and can establish strategic alliances to gain maximal benefits. At the same time, E-commerce will transfer enterprises’ business ideas, consummate their systems, and advance their construction of social capital and credit.
4. Economy and society will develop in harmony. It is necessary to keep the balance between economic increasing and social development in transferring Chinese economy. E-commerce can be utilized in social development, especially in service industry. By using network technologies and computer softwares, E-commerce in service areas can optimize service flows, can enhance the level on information, intelligence, and network, and can set up the high-level service platform. On-line tour management and service can be developed by establishing tour information warehouse. The colorful virtual society can fully increase people’s quality and level on education, science and technology, finance, tax, medical care, real investment, culture, and community service, etc. Specially, on-line universities can advance the whole-life-education. And networks have advantages on communication, which can be utilized in community management to form more intelligent, civilized cultures.

5. The internationalization of Chinese E-commerce is also an inevitable tendency. Chinese E-commerce will be world-ward in the end and will be challenged by many E-commerce competitors. The biggest advantage of Internet is that it can exceed the limits of time and space, and break visible and invisible ramparts among different countries, and accelerate communications on economy, technology, capital, and information. E-commerce can also advance foreign trade. Therefore, Chinese E-commerce will finally enter the world with the improvement of international E-commerce environments. Chinese enterprises can also stand on the same scratch line with the developed countries and E-commerce in foreign trade areas will transfer our country’s subsequent disadvantage to subsequent advantages.

IV. Main Policy Tendency of Chinese E-commerce Development

China will hold the chances of developing E-commerce. The main policy tendencies are:

1. To accelerate the construction of new information communication networks and to construct national information infrastructure facing 21st century. Network is also an important reflection of a country’s international competitiveness. China will grasp the chance of world information technology revolution and push the strategic adjustment of networks. Many advanced technologies will promote present networks to more efficient, more economic, and safer networks which amalgamate voices, data, and images. On the other hand, China will fully make use of the ‘subsequent advantage’ to focus on more credible, safer, zero network time-lapse, unlimited broadband and exchanging capability, universal and flexible broadband connection. This can perfectly amalgamate virtual world and real world to welcome the coming of light-network time.

2. To set up an E-commerce human resource team with more reasonable knowledge
structure and more innovative ideas through reforming on education systems and structure and specialty settings. Main support on special information and network colleges can cultivate E-commerce human resources in advance. And it is also very important to popularize E-commerce knowledge and increase the pressure on developing E-commerce.

3. To develop Chinese-characteristic E-commerce. The definition of E-commerce should be widened from the situation of China. Besides EDI and Internet, other channels of E-commerce through Telephones, Faxes, Televisions, and Electronic Payment and Currency Transferring Systems should also be vigorously advocated. And Chinese advantages on population should be fully made use of to accelerate the connection between E-commerce and traditional vendition, so as to accumulate experiences and to create conditions for the seeking stage, ordering and paying stage, and transiting stage of E-commerce respectively.

4. To vigorously develop information service industry based on E-commerce and to enhance the level of information exploitation, application, and popularization. China is a developing country, thus, the advancement of Informatization should be based on Chinese situations and characteristics. Nowadays, China should focus on the development of on-line government, on-line enterprises, and on-line families. The exploitation and application in information resource of key fields must be well organized. China should also encourage to develop kinds of public database and to build a series of key information projects, so as to advance information technology and E-commerce’s improvement on traditional industries. And long-distance education, long-distance medical care, and other information service facing publics should also be promoted.

5. To transfer the function of governments ulteriorly and to set up good industrial supervision systems. Internet is international, and so is the E-commerce based on it. If each country does E-commerce according to its regulations, nothing can be accomplished. Therefore, international standards and regulations must be set up to ensure the appliance of E-commerce. At the same time, governments should not heavily intervene enterprises’ E-commerce activities, but decentralize under international rules. Governments’ function in E-commerce is supporting and servicing, not controlling and intervening.

For a developing country like China, which is from traditional planned economy system and market economy system has not yet be fully set up, governments should play a special role in constructing good environments for E-commerce. Advancement on legal system construction can create fair, just, and public competitive environments and credit atmosphere. Execution of knowledge property right strategy can inspirit, support, and ensure social innovations, so as to accelerate E-commerce development in China. Administrative departments must administrate legally, increase supervisions, and quicken the ordination of regulations on information network security, so as to
ensure the standardization of E-commerce and to joint the international legal systems.

6. To increase opening and collaboration with other countries, so as to reduce the gap with the developed countries. In today’s world the ‘digital gap’ between developed countries and developing countries are widening, which greatly impacts the development of world economics. Information and network belongs to the whole world. Each country, especially developed countries, is responsible for shortening the gap. China will go on to collaborate with Asian and the Pacific countries, as well as other countries, on technology, capital, managerial experience, and human resources. China will be more open to take part in international competition and to advance the development of information communication industry together with other countries, to welcome the coming of information society of 21st century together.