



© China Insights Today

Issue 1, September-December 2007

pages 14-16

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# *China Insights Today*

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## **China: A Player or Bystander in the Global E-economy**

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### **Abstract:**

*As e-commerce growth becomes more significant, China has made several steps towards Internet commerce. But, there are still barriers to e-commerce development and adoption, especially for small and medium-size enterprises that are the base for healthy economic environment. Is the Chinese economic environment part of the new Information Communication Technology power of knowledge? Are all its enterprises part of the information or knowledge society? For China's continues growth it should accelerate its policies for development, and build up a favorable environment for Internet economics.*

*The engines of growth for China's economy are the small and medium-sized enterprises, which account for more than 95 per cent of the businesses.*

*However, their competitiveness and productivity are often restricted by limited access to information and technological know-how to support the development and marketing of value-added products.*

*There are at least seven needed areas for policy intervention in order to enhance China's e-business adoption: Better skilled personnel and development of ICT policies and regulations related to online transactions; Development of e-business services and capacity of support; Integrate initiatives on information and communication technologies for expanding marketing opportunities; Promote the development of domestic information and*

*communication technologies markets, services and products, broadband connectivity, and professional skills; Technologies to bring shared opportunities; And, effective language communication with multiple economic destinations.*

*When China solves these problems, it will be a true player in the information, technology, and communication cyber global business game.*

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## **Introduction**

As new technologies bring a rapid change to economic and social agendas, the way policy makers adopt to the transitions should be an important part of the considerations.

In recent years Internet commerce has become one of the important factors that can make a country an international partner or just a bystander in the global e-economy Game. Relying on multinational corporations to boost a local economy is an outdated notion. Multinational are constantly on the look for better conditions; they have no particular attachment to any local settings unless these offer them the best circumstances and terms. When all conditions have been exhausted they move on to new destinations taking with them all their accumulated goods and profits.

I believe that a country's economic strength should be judged on the ability of its small and medium-sized enterprises to be forerunners in today's international game. It is an issue policy makers should consider seriously. The more emphasis they put on providing access to new e-technologies, the better opportunities their economy may encounter. Access to new e-technologies, that is to e-commerce, is the key factor; it can make a country an international partner or leave it only to be a bystander in the game.

As e-commerce growth becomes more significant, China has made several steps towards Internet commerce. But, there are still barriers to e-commerce development and adoption, especially for small and medium-size enterprises that are the base for healthy economic environment. Is the Chinese economic environment part of the new Information Communication Technology power of knowledge? Are all its enterprises part of the information or knowledge society? For China's continues growth it should accelerate its policies for development, and build up a favorable environment for Internet economics.

The engines of growth for China's economy are the small and medium-sized enterprises, which account for more than 95 per cent of the businesses. However, their competitiveness and productivity are often restricted by limited access to information and technological know-how to support the development and marketing of value-added products.

There are at least seven needed areas for policy intervention in order to enhance China's e-business adoption: Better skilled personnel and development of ICT policies and regulations related to online transactions; Development of e-business services and capacity of support; Integrate initiatives on information and communication technologies for expanding marketing opportunities; Promote the development of domestic information and communication technologies markets, services and products, broadband connectivity, and professional skills; Technologies to bring shared opportunities; And, effective language communication with multiple economic destinations.

When China solves these problems, it will be a true player in the information, technology, and communication cyber global business game.

### **The Internet as a powerful tool for economic and social development**

In recent years, China has been looking at the Internet as a powerful tool for its economic and social development. As e-commerce growth becomes more significant, China has realized its potential and has made some steps towards Internet commerce from the 1998 plan to the action of 1999. Although progress has been made, there are still many barriers to e-commerce development and adoption, especially for small and medium-size enterprises that are the base for healthy economic environment. For China's continues growth it should accelerate its policies for development, and build up a favorable environment for Internet economics.

Information Communication Technology (ICT) is the means to serve the goals of information-handling and communication. It has opened an opportunity for businesses to be part of the 'information age' and the 'knowledge society'. Various systems are the mechanisms for the 'circulation and accumulation' of knowledge. It is an asset, a source of economic power.

Is the Chinese economic environment part of this new power of knowledge? Are all its enterprises part of the information or knowledge society?

### **Advance Technologies for the Privileged**

Although highly advance technologies exist, they are only for the privileged, and most members of China's business establishment are not part of it. They are not players in this important game because of multiple reasons; cultural and educational, lack of understanding, and especially lack of accessibility.

Electronic commerce over the Internet is a new way of conducting business. The e-network is not only a means to move data, but also a global open market. It has the potential to alter economic activities and the social environment significantly.

The 2006 Information Economy Report, by the United Nations Conference on Trade and Development (UNCTAD) confirms the positive impact of ICT on

economics and productivity growth. It highlights the importance of promoting internet broadband adoption in developing countries to enhance competitiveness and productivity at the level of private companies. Since small and medium-sized enterprises account for the majority of the enterprises and employment in China, their level of ICT adoption deserves special consideration.

### **Engines for economic growth**

Examination of the factors that contribute to the adoption of e-business or e-economics, and the use of ICT in business, by small and medium-sized enterprises in China, shows five areas for policy intervention that are needed in order to enhance e-business adoption.

The engines of growth for China's economy are the small and medium-sized enterprises, which account for more than 95 per cent of the enterprises. However, their competitiveness and productivity are often restricted by limited access to information and technological know-how to support the development and marketing of value-added products.

While e-business is transforming the way business is conducted across the world, more enterprises are integrating information and communication technologies in their business processes. ICT increases their efficiency, promotes innovation, reduces transaction costs, facilitates networking among stakeholders and allows them to participate in broader markets and compete with larger firms in what I may call a more "equal playing field"<sup>1</sup>. It provides a speedy access to economic power.

But in China, broadband access is not easily available or affordable, and the use of information and communication technologies in business is still very low. Small and medium-sized enterprises' e-business adoption is limited to word processing, email, displaying products rather than facilitating online transactions, and simple search for information on the Internet.

Specialized business management software, such as management information systems, is not regularly used, except for some accounting software. This pattern is mainly related to a lack of advanced software adaptation.

### **How do Chinese small and medium-size companies use ICT?**

In China, advanced and costly internet access is available mainly in the major cities. Rural areas or the western regions, lag behind and have little access to the Internet.<sup>2</sup> E-business portals and e-marketplace platforms are the preferable online locations to conduct ecommerce. The use of such portals by the enterprises, rather than hosting their own website is considered simple and affordable way.<sup>3</sup> Most companies refuse to invest capital in ICT because they do not understand the importance of immediate access to global or regional economy information.

Some sectors of the economy, such as the software, manufacturing, tourism and hospitality industries, are required to adopt e-business in order to remain realistically competitive, and remain in business.<sup>4</sup> Other sectors have not yet adopted e-business systems.



Poor information and communication technologies infrastructure and a lack of technical and managerial capabilities are some of the limiting factors for e-business adoption in China.

There are several barriers to the development of e-business services for small and medium-size economies<sup>5</sup>:

Ninety-five percent of small and medium-size enterprises in China lack awareness regarding e-business benefits. They do not invest in advanced infrastructure and their purchasing and ordering system is not linked to any logistics services. They lack professional managerial and technical capacity to use ICT to improve internal processes and to capture all opportunities. They lack a legal framework to support e-business and still need to pay bribes to clear a smooth path through customs. They prefer to keep their prices confidential in order to avoid competition on a price basis, and they are reluctant to expose original designs and versions of products because there is no guarantee of intellectual property rights. And, language remains a barrier for the development of import-export-oriented e-commerce among such companies<sup>6</sup>. They have difficulties in communicating with foreign enterprises, and in preparing product descriptions for an international audience.

China is at various stages of implementing ICT policies and regulations. The challenge is how to translate these efforts and policies into concrete national programs on e-business development.

Seven areas where policy intervention is necessary:

1. Education - better skilled personnel and development of ICT policies and regulations related to online transactions.

2. Development of e-business services and capacity of support.
3. Integrate initiatives on information and communication technologies for trade and transport facilitation and for expanding marketing opportunities, including the adoption of e-purchasing techniques as part of e-government strategies.
5. Develop policies and regulations to promote the development of domestic information and communication technologies markets, services and products, broadband connectivity, and development of professional skills.
6. Understand global economics, and put into use all technologies that will bring shared opportunities.
7. Employ language experts that can communicate effectively with multiple economic destinations.

### **Conclusion**

As e-commerce growth becomes more significant, China has made some progress towards Internet commerce. It should accelerate its policies for e-commerce development, and build up a favorable environment for Internet economics. China's healthy economic environment depends on small and medium-size enterprises. They should be part of the information, technology, and communication cyber global game.

### **Notes:**

1. An ESCAP survey conducted in 2005 among 109 enterprise support agencies (ESAs) (e.g. government agencies, business associations, chambers of commerce) in Cambodia, the Lao People's Democratic Republic, Myanmar, Thailand, Viet Nam and Yunnan Province of China, showed that ICT was considered to have a positive impact on SMEs in terms of creating or enabling competitive advantage, improving customer satisfaction and enabling growth. The survey found that businesses targeting overseas customers indicated higher levels of email use and website presence than those oriented towards domestic markets. This includes exporters and the tourism and hotel industry, which are reliant on foreign clientele. Except for the use of accounting software, specialized business management software, such as management information systems, were not commonly used by the SMEs surveyed. This pattern seems to be true in developed countries as well and it is mainly related to the lack of software adapted to SMEs' needs.
2. In terms of connectivity, whenever SMEs access the Internet they usually do it through dial-up connections.
3. Results from the ESCAP project on the development of e-business services for SMEs in the Greater Mekong Subregion<sup>1</sup> countries show that SMEs and enterprise support agencies consider e-business portals as adequate e-business development services for SMEs. Portals and e-marketplaces considered as simple and affordable ways to start e-

business and an initial step prior to more advanced ICT use, such as the development of dedicated websites.

4. They adopt e-business to enhance communication with both customers (business-to-customer) and partners in the supply chain (business to-business). Usually, the adoption of e-business throughout the supply chain imposes e-business adoption on all businesses that want to keep operating in that industry. In developed countries, the adoption of e-business may not necessarily bring any competitive advantage for the enterprises operating in the specific sectors of economy mentioned above. It is only part of the cost of their business. On the other hand, in developing countries, enterprises in these sectors are in a position to benefit from e-business and gain a competitive advantage.

5. Stakeholder consultations conducted by ESCAP in 2005 among SMEs and enterprise support agencies in six GMS countries identified five top barriers to the development of e-business services for SMEs:

A. Lack of awareness and understanding of e-business;

B. Poor infrastructure;

C. Lack of human resources;

D. Lack of a comprehensive legal framework;

E. Language barriers

6. An ESCAP evaluation in 2006 of e-business portals pilot projects shows that SMEs had difficulties in preparing product descriptions and having them translated into English for an international audience. Knowledge of foreign languages is also necessary during the follow up exchange of e-mails that is characteristic of e-commerce by SMEs.

### **Short Bio**



***Prof. Dan Ben-Canaan** is a faculty member in the School of Western Studies English Department at Heilongjiang University and the executive director of its Sino-Israel Research and Study Center. His research focuses on Methodical Research, the Organization of Creative Writing, Western and Chinese Journalism, Knowledge Management, the Japanese Occupation of China, and the History of the Jews in China. He has written many articles on political and social issues in the Far East, published three information and news oriented magazines, co-written articles for international journals and has authored four books. He has served as the Editor-in-Chief of the Heilongjiang Television English News Services and is an advisor on information and economics management for governmental bodies and private enterprises in China and elsewhere.*