



# The UNCTAD's Trade Efficiency Initiative promotes the development of Electronic Commerce in China

By Jianzhong LU

Project Manager for China, UNCTAD-TPDC URL: <http://www.untpdc.org/untpdc/incubator/chn/> Email: [lu@untpdc.org](mailto:lu@untpdc.org)

The emerging global information economy is rapidly affecting the nature of international trade. In a global marketplace information becomes the most important strategic tool for traders. The most striking inequality between traders in developing countries and developed countries is the one that affects access to information. Many Chinese new trading companies, Small and medium-sized enterprises, and in particular, enterprises of the impoverished areas cannot realize their competitive advantages simply because of the lack of effective access to trade-related information and the barrier due to complicated trade transactional procedures.

Fostering greater participation in international trade, in particular, helping small and medium-sized enterprises to efficiently participate in international trade is a central objective of the United Nations Trade Efficiency Initiative, which was launched by United Nations Conference on Trade and Development (UNCTAD) in 1992. Making international trading practices simpler and easier to use, providing traders with efficient and accurate advice, information and service support, the UNCTAD's Trade Efficiency Initiative has been largely promoting the global trade and the development of the electronic commerce with its Global Trade Point Network (GTPNet) as the main instrument.

## 1. Implementation of the UNCTAD's Trade Efficiency Initiative

Since 1990, China Ministry of Foreign Trade and Economic Cooperation (MOFTEC) has been making efforts in promoting the use of information technology on foreign trade. Several pilot projects of the electronic data interchange (EDI) application were implemented in 1992 and the Trade Efficiency Initiative was adopted in 1993 in order to improve the access to global information and enhance the efficiency of China's foreign trade.

In 1993, under the coordination of MOFTEC, China initiated the pilot implementation of the Trade Efficiency Initiative. With full support from UNCTAD, MOFTEC and Shanghai Municipality, the pilot Trade Efficiency project was implemented in Shanghai in 1994 with the establishment of the first Trade Point and the first local Trade Efficiency Association in China.

The pilot implementation of the Trade Efficiency Initiative in Shanghai has strengthened the local economic and social development introducing revolutionary solution for promoting Shanghai's foreign trade activities. The Trade Efficiency Initiative has been considered by the Shanghai Municipality as one of the most important measures for the realization of Shanghai's strategic objective, which aims to turn Shanghai into the international trade and financial center in the Far-East regions by year 2000.

Under the leadership of the Shanghai Trade Efficiency Association, Shanghai Trade Point has grouped under the same roof the Government departments related to foreign trade and the service providers intervening in foreign trade transaction such as Customs, Commodity Inspections, Foreign exchange control, Banking and Insurance, Transportation and Information processing and service to co-handle the official affairs and provide the information for trade and the services related to foreign trade transactions acting as gateway to the GTPNet launched by UNCTAD with Ministerial Declaration on Trade Efficiency in 1994.

Based on computer networking system and EDI technologies, Shanghai Trade Point provides to companies with

authoritative business information such as policies, regulations, tariff, license, statistics, products and markets, company profiles, Electronic Trade Opportunities (ETO); assists companies to follow Customs and commodity inspection procedures, certificate issuance, transportation and insurance business.

Highly praised by customers, Shanghai Trade Point is considered as the reliable bridge between importers and exporters. According to the statistic of 1996, Shanghai Trade Point has received in 1996 approximately 100,000 customers. 50% of the information they consulted have reached the trade partners and they received feedback. 10% of the information concluded transaction. Many local companies have established new relationships with customers in Korea, Sweden, South Africa, England, Australia, Turkey, Holland, America, Japan, Peru, and Brazil through the GTPNet.

As a successful model, Shanghai Trade Point demonstrates its great value in helping Chinese companies, particularly in helping small and medium-sized enterprises and new trading companies to participate in foreign trade. Recently, Beijing Trade Point is established and started its operation as a foreign trade facilitation center. With 1500 sq. meters service area including a Trade Point Business Hall and a Trade Point Members Hall, Beijing Trade Point provides "one-stop shop" service for foreign trade transaction. Accessing highly efficient computer networking system, customers can benefit from the electronic commerce facilities provided by Beijing Trade Point at lower costs. In 1997, another Trade Point was set up in Weifang City, Shandong province demonstrating a Trade Efficiency model in such a small and medium-sized city. This model is greatly encouraging small and medium-sized cities' participation in foreign trade and providing to its neighbor cities, specially the impoverished areas with a new solution to enhance local economic and social development and to speed up the process of "poverty elimination". Therefore, the Weifang Trade Point model can be quickly used for the impoverished areas converting their abundant resources into products, opening their domestic markets and exploiting international market so as to promote their industry, agriculture and the total economy development as a whole.

As a consequence of the successful operation of the three Trade Points, the Trade Efficiency Initiative is currently being promoted in many other cities such as: Qingdao, Weihai, Shenyang, Dalian, ChongQing, Shenzhen, Haikou, Hangzhou, QunMing, NingBo, Wuhan, HerFei, Guangzhou, etc. In addition, Local Chambers of Commerce, Industrial Associations and World Trade Center Offices are all involved in the project expansion process.

## **2. Development of the national Trade Efficiency infrastructure**

In order to further develop China electronic commerce and enhance the efficiency of China foreign trade, the State Government launched in 1994 the "Golden Gate" Programme, a paperless trading system. The "Golden Gate" Programme is the foundation of the National Foreign Trade Economic Information Network infrastructure. It aims at, in the short term, integrating all foreign trade departments with the electronic information processing network and develop application software dedicated to foreign trade. In the long term, the goal of the Programme will be to establish a specialized business network for foreign trade in order to realize electronic data interchange (EDI), expanding the scope of the network in order to automate customs checks and eliminate paper based transaction in international trade.

As focal point and the coordinator of the "Golden Gate" Programme, MOFTEC is in charge of establishing the central platform and interconnecting with other networks and systems in relation to foreign trade. In conformity with the "Golden Gate" Programme and the Trade Efficiency Initiative, MOFTEC has taken two major effective initiatives. Firstly, MOFTEC set up the China National Trade Point Development Center (CNTPDC) providing advanced solutions in simplification and harmonization of foreign trade procedures. Secondly, MOFTEC is establishing the China International Electronic Trade Network (CIETNet) building up a central platform with global information access and gateway to international electronic commerce.

In terms of global networking system, CNTPDC is a Secure Electronic Authentication Link (SEAL) interconnected with the UNCTAD Trade Point Development Center (UNTPDC) based on IntraNet infrastructure. SEAL aims at providing an open and comprehensive approach to secure electronic commerce over the Internet, public information networks and private IntraNets. SEAL addresses a coherent security model and generic, open security architecture for electronic commerce. The most fundamental electronic commerce services, such as certification, secure offering, order,

multi-functional payment system and information delivery, are included as components of the SEAL system. The SEAL system interconnects securely the Trade Points and renders them highly automated secure electronic centers with the potential to eliminate all manual processes currently undertaken between their partners (trade facilitation, banking, insurance, chambers of commerce, telecommunication, post office, merchants).

As a nationally integrated infrastructure, the CIETNet intends to interconnect via satellites and DDN links 50 cities in China to form an advanced information processing backbone for foreign trade. It will play a fundamental role in enhancing trade efficiency, streamlining trade procedures, and increasing trade opportunities, reducing the costs of foreign trade. It will serve efficiently foreign economic and trade authorities at various levels, enterprises including small and medium-sized enterprises and impoverished areas, and intermediaries involved in foreign trade and economic cooperation. It will also largely promote the use of EDI and other information technologies for foreign trade.

### **3. Greater and active participation in international trade**

Since the adoption of the open door policy, China has been gradually establishing a socialist market economic system and made major achievements in macro control. Those have created favorable domestic institutional environment and material foundation for the further development of foreign trade and economic cooperation. Therefore, China carried forward the reform in its foreign trade system by integrating restructuring measures with changes in the pattern of economic growth.

During the first half of 1997, In terms of reform in the operating mechanism for foreign trade, renewed efforts were made to encourage foreign trade activity of manufacturing companies, commercial establishments and enterprises dealing in materials, and export of machinery, electronics, and high-tech products. At the same time, two pilot programs were launched: one on registration system of foreign trade activity of manufacturing companies, and the other on Chinese-foreign trade joint venture trading companies. The automatic registration system has been functioning smoothly since it was initiated in Special Economic Zones, building a solid foundation for its expansion in the future. Based on the success of the pilot programs, criteria for examination and approval of right to import and export have been further relaxed for production enterprises. Documents to be submitted have been simplified. And the business scope of enterprises importing equipment and raw material for self-use and exporting all or part of their own production have been expanded. At the same time, awarding trading rights to distributors and material suppliers has completed the experimentation phase and has been incorporated into the normal examination and approval system. The government has started to grant trading rights to the supply and marketing cooperatives. Such a policy has great significance in pushing forward industrialization of agriculture and integration of the rural economy with the international market, expanding the exchange-earning agriculture and promoting the across-the-board development of the rural economy.

Those measures of reform largely promoted the Chinese enterprises' (especially emerging trading enterprise) participation in international trade. Therefore, the advanced solutions provided by the Trade Efficiency Initiative will greatly help the new trading companies to efficiently access to the global trade and reinforce their competitive capacity in international market. In conformity with the above reform progress, a national Trade Efficiency project is currently under preparation. Assisted by UNTPDC and United Nations Development Programme (UNDP), the project aims at providing to new trading companies and small and medium-sized enterprises as well as enterprises from the impoverished areas of China with adequate electronic trading mode and tools. With further reform of China foreign trade system and the development of the Trade Efficiency Initiative in China, more companies including small and medium-sized enterprises and companies from the impoverished areas of China will efficiently compete with foreign companies in international market. They will play more important role in the rapid and healthy development of China's foreign trade.