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A Study on Main Problems of Electronic Commerce in China

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I. Introduction

Electronic commerce, which is commonly known as e-commerce, is the act of buying and selling product or service over electronic systems such as the internet or any other computer networks. It has become an essential part of informationized society. With the development and expansion of

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information technologies, China's electronic commerce industry has rapidly developed. It is predicted that, in the future, the industry of China's electronic commerce will grow enormously owing to the huge territory with explosive population. In fact, the industry of electronic commerce and information technology in China have been developed deliberately by the government since 1993 when Chinese government started to pursue the plan for construction of information technology infrastructure like 'Golden Project' which covers more than 10 areas including customs, finance, trade, education and so on.¹⁾ Moreover, the Chinese government established the organization, which is 'China National Network Information Centre (hereinafter referred as CNNIC), in order to manage and control internet industry in China.

It is true that China takes the second place in the world considering the number of internet users and it is expected to be one of the biggest markets for electronic commerce. However, in spite of much efforts of the government to develop the industry of internet, the Chinese internet industry is far behind the developed countries. One reason for this is that the Chinese government imposes restrictions on its contents, for example, by limiting contents of personal e-mails under the name of protecting state's security. The most frequently used service by Chinese users are e-mail service, searching service, and online news service, and electronic commerce, education or banking service, and any other services that can be used for convenience in their everyday life are at the beginning stage. In fact, delay or a slow speed in connecting internet, high expenses for connecting or using internet service, and a big gap in number of internet users due to unbalanced

1) Chinese government has paid more and more attention to the development of electronic commerce; in 2004, "Law of Electronic Signature", which is regarded as the first law related to electronic commerce in China, was published and the General Office of the State Council promulgated "Options on Accelerating the Development of Electronic Commerce". Also, in 2006, "The State Informationization Development Strategy(2006-2020)" was established by the General Office of the State Council.

development between regions have caused deactivation of development in Chinese internet industry.

Many multinational corporations are interested in industry of Chinese electronic commerce and some companies have aggressively extended their businesses to the Chinese market. Since China joined the WTO, China opens its market, developing the policies for opening of its market. Moreover, China has a huge territory, and this huge territory is quite likely to be divided due to its big size. That is why the industry of Chinese electronic commerce has gathered much attention globally from all over the world, and every company seeks for a profitable opportunity there. However, there are still barriers for penetration in industry of electronic commerce in China because of the government's policies, regulations, and law as well as backwardness in infrastructure which are closely related to electronic commerce.

The purposes of this paper are twofold. First, this paper will look into the current status of electronic commerce industry in China focusing on its development. Second, this paper will discuss about main problems of electronic commerce industry in China in order to find out why the industry of electronic commerce cannot develop as much as it is anticipated. By doing so, this paper can contribute to understanding electronic commerce industry in China, and it will be helpful for companies which have a plan to find a market in China.

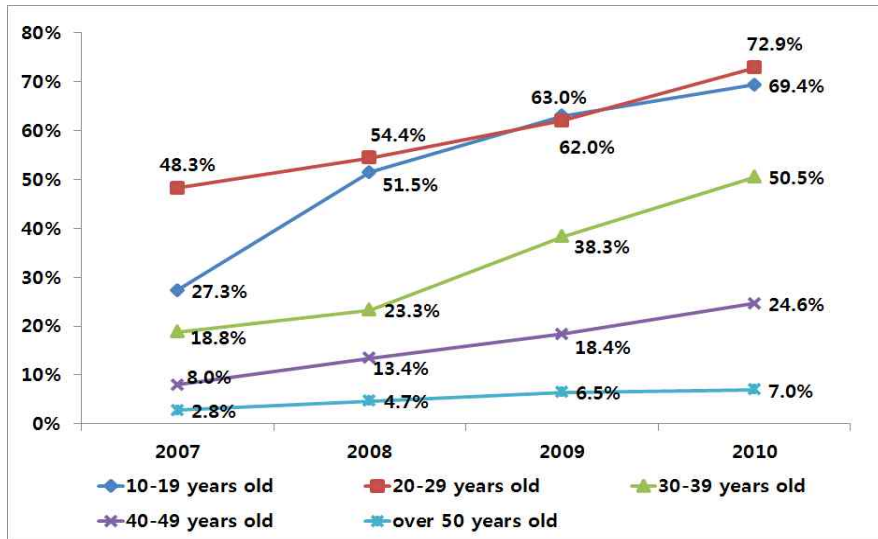
II. Current Status of Electronic Commerce Industry in China

1. Internet users

According to the report of DDCI(Data Center of China Internet), it is estimated that PC holders in China will be up to 650 million by the end of

2012. Along with the number of PC holders, the rate of using internet is also increasing. [Figure. 1]²⁾ below shows the rate of using internet as per age.

Figure. 1 [The rate of Internet use as per in China from 2007 to 2010]



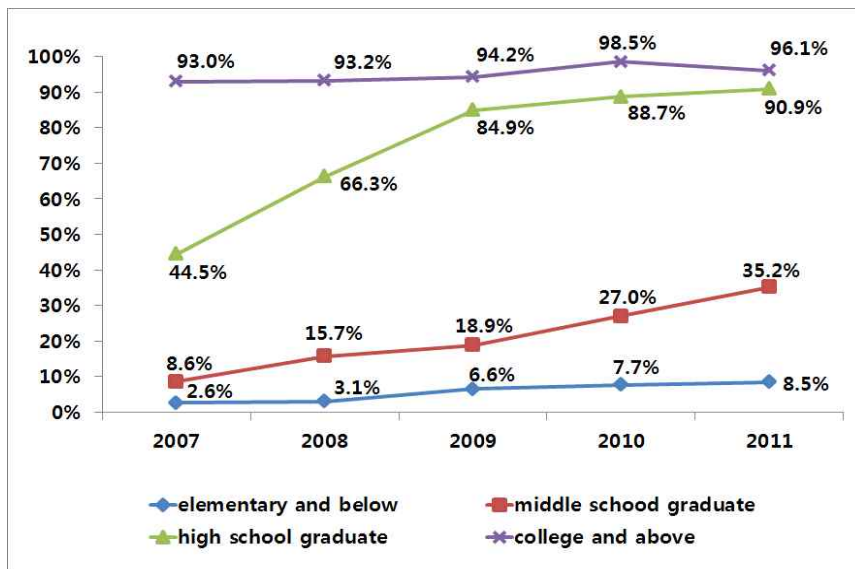
The rate of using internet among people in their teens (from 10 to 19) has increased dramatically from 2007 to 2008. It was 27.3% in 2007, but it almost doubled to 51.5% in 2008. Since then, it rose from 51.5% in 2008 to 63.0% in 2009, and it reached up to 69.4% in 2010. The rate of using internet among people in their twenties and thirties showed a steady increase from 2007 to 2010. In 2007, 48.3% of people in their twenties (from 20 to 29) used internet and it showed a gradual rise (54.4% in 2008 and 62.0% in 2009) in each year, reaching up to 72.9% which was the highest rate among generation. The rate of using internet among people in their teens and twenties reached saturation point in 2010, so it is anticipated that there will

2) CNNIC (China Internet Network Information Center), The 29th Statistical Report on Internet Development in China, 2012. 1

be not much change in the future. On the contrary, the rate of using internet among people in their thirties (from 30 to 39) showed more possibility for an increase in the future. Although it increased only by 4.5%, from 18.8% in 2007 to 23.3% in 2008, it showed a steady growth from 2008 to 2010. It increased by 15% from 2008 to 2009 and by 12.2% from 2009 to 2010. Finally, more than 50% out of people in their thirties used internet in 2010 and it is expected to increase gradually in the future.

The rate of using internet has been analyzed as per the academic ability, as it can be seen in the [Figure.2]³⁾.

Figure. 2 [The rate of Internet use as per academic ability in China from 2007 to 2011]



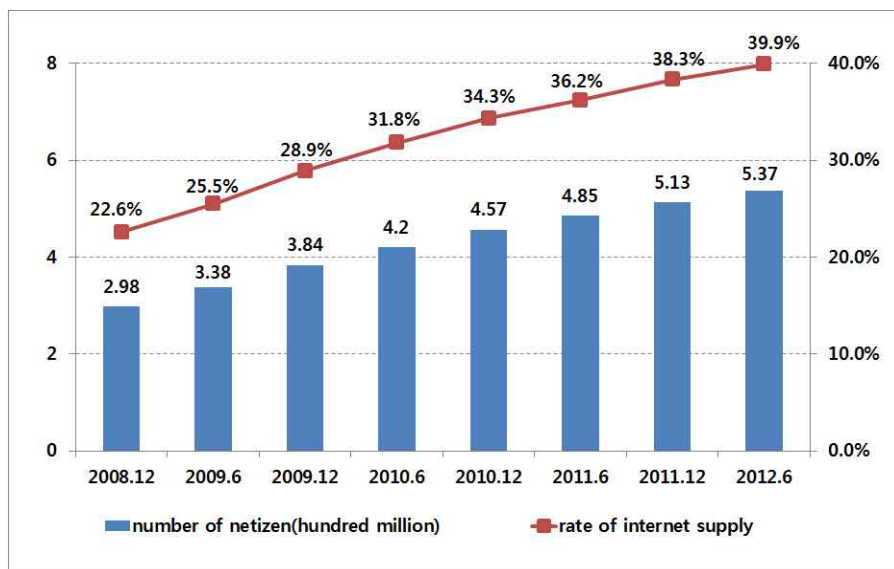
More than 90% of people who has 'college and above education' have been using internet without much change from 2007 to 2011. Even though

3) CNNIC(China Internet Network Information Center), The 29th Statistical Report on Internet Development in China, 2012. 1

there was a slight drop by 2.4% from 98.5% in 2010 to 96.1% in 2011, it is not considered as a meaningful drop. For this group, it is anticipated that there will not be a rise in the future since the rate has already reached up to almost 99%. The group of people who have 'high school education' showed the most dramatic rise in the rate of using internet, especially from 2007 to 2009; the rate almost doubled from 44.5% in 2007 to 84.9% in 2009. Since then, there was a steady rise up to 90.9% in 2011. Furthermore, it is clear that the rate of using internet among people who have 'middle school education' is far below than that of people who have higher academic ability like graduates of high school and tertiary education. However, it showed a gradual increase during five years and it can be expected to show more increase in the future.

Although the rate of using internet, which is more than 90%, seems quite high among those who have high school and tertiary education, it is less than 40% considering the whole population in China.

Figure. 3 [The rate of internet supply and scale of netizen in China from 2008 to 2012]



As shown in the [Figure. 3]⁴⁾ above, the number of netizen is 513 million in 2011 and it increased by 24.5 million during the first half of 2012, which accounts for 39.9%. Taking the whole population into consideration, since there has been a steady increase in the number of netizen, it will show a upward trend in the future.

2. Industry of Electronic Commerce

The industry of electronic commerce in China has developed dramatically during the last five years. According to the statistics, as shown in the [Figure. 4]⁵⁾ below, there was a gradual increase in the amount of transaction through electronic commerce from 2008 to 2010. Since then, in 2011, the amount of transaction through electronic commerce recorded 6000 billion yuan. Considering circumstances where the rate of increase in transaction through electronic commerce rose by 18.6% during the first half of 2012, being compared to those in the same period of 2011, it is expected to reach up to 8500 billion yuan and 12800 billion yuan, in 2012 and in 2013 respectively. The estimated rate of increase in transaction through electronic commerce is 41.46% in 2012.

With the increase of transaction through electronic commerce, the number of employees who are hired directly in industry of electronic commerce has showed a similar increasing trend. As it can be seen from the [Figure.5]⁶⁾ below, there was a steady increase from 2008 to 2011, but it is estimated to increase sharply, reaching up to 2.65 million in 2012 and 3.3 million in 2013.

4) CNNIC(China Internet Network Information Center), The 29th Statistical Report on Internet Development in China, 2012. 1

5) CNNIC(China Internet Network Information Center), The 29th Statistical Report on Internet Development in China, 2012. 1

6) China Electronic Commerce Research Center(www.100ec.cn), China E-Commerce Market Data Report of 2012. 2012.8

Figure 4. [The amount of transaction through E-commerce from 2008 to 2010 in China]

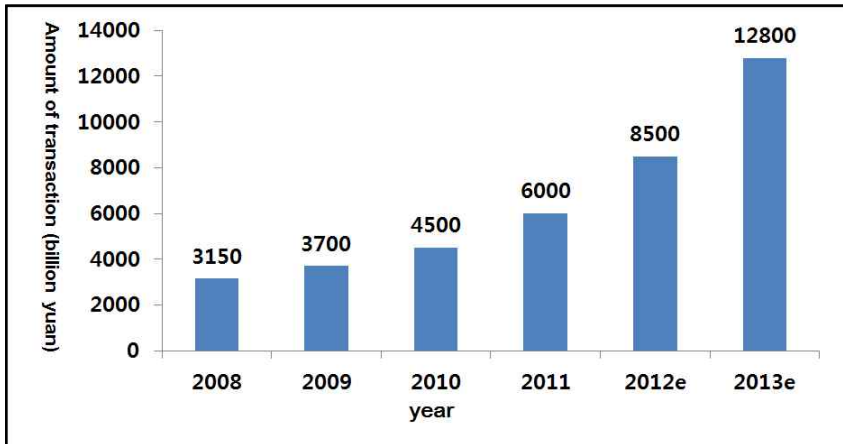


Figure 5. [The number of employees directly employed in industry of E-commerce from 2008 to 2013 in China]

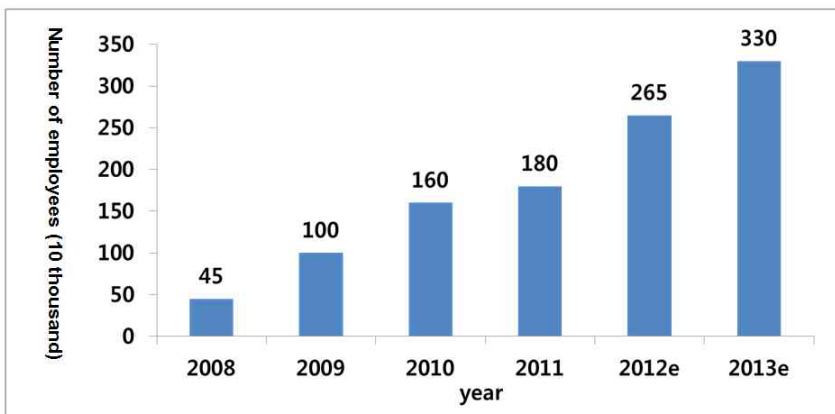
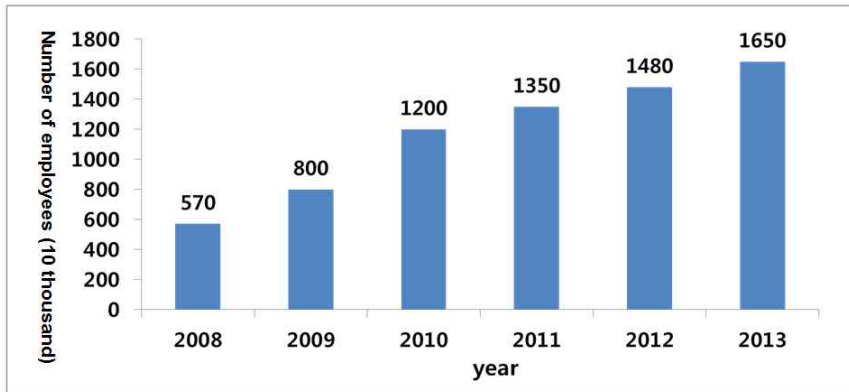


Figure 6. [The number of employees indirectly employed in industry of E-commerce from 2008 to 2013 in China]



Also, the number of employees who are hired indirectly is tremendous, which is seven times more than that of directly employed ones. The [Figure. 6]⁷⁾ above shows the number of indirectly employed ones, with a very similar rate of increase in number of directly employed ones. It is expected that 13.5 million will work indirectly in industry of electronic commerce and 14.80 million and 16.50 million will work indirectly in 2012 and in 2013 respectively. One of the reasons for increase in the number of employees is appearance of new and various careers, which are needed along with remarkable development in industry of electronic commerce.

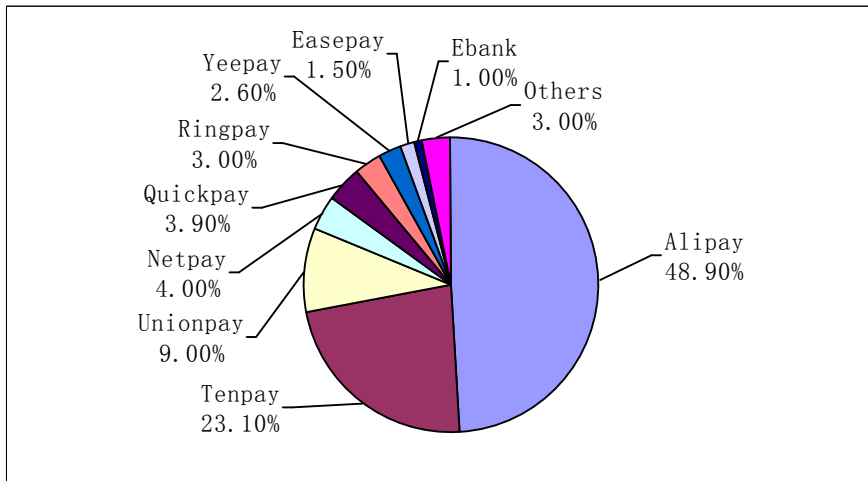
3. Development of Electronic Commerce Industry

As discussed before, recently, the industry of electronic commerce in China has developed enormously. In this sub-chapter, how the industry of electronic commerce has developed will be discussed in four aspects: online payment system, logistics, legislation, and human resource.

7) China Electronic Commerce Research Center(www.100ec.cn), China E-Commerce Market Data Report of 2012. 2012.8

First of all, online payment system is one of essential factors for electronic commerce. According to the statistic⁸⁾, in 2010, the scale of third-party online payment market reached 1050 billion yuan showing the growth of 79.5% compared to one in the previous year. It is anticipated that the growth will keep on, and the estimated scale of third-party online payment market is 2250 billion in 2012. The largest third-party online payment system platform in China is 'Alipay'. It announced that its official users were more than 200 million in 2009, taking over the first position in industry of online payment system. In 2010, 'Alipay' accounted for almost half of the market share in this area as it is shown in the [Figure. 7] below.

Figure. 7 [The market share of third-party online payment company in China]

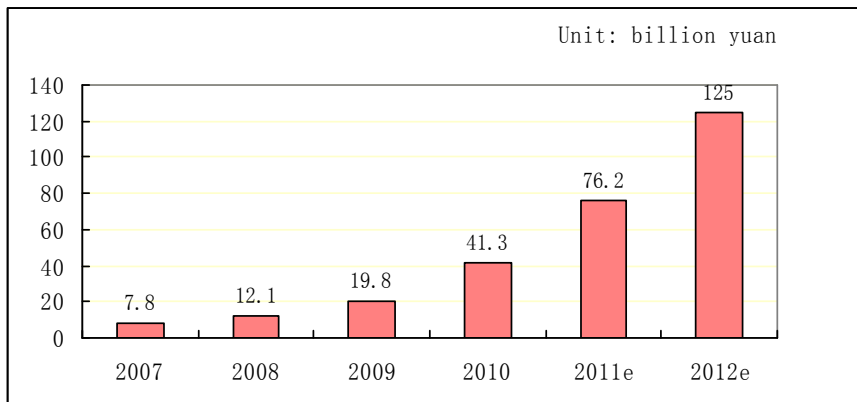


The second aspect to be discussed is logistics infrastructure. It is an important component of electronic commerce because it provides the fundamental guarantee for firm implement of electronic commerce. Since

8) China Electronic Commerce Research Center(www.100ec.cn), China E-Commerce Market Data Report of 2012, 2012.8

many different types of commodities are transacted through the internet and the volume of delivery is big, the consumer's requirement is quite demanding and their expectation is also high. Over the last five years, the logistics infrastructure has developed with a dramatic speed. The scale of electronic commerce logistics market in China was 41.3 billion yuan with an increase rate of 108.5% in 2010, and it is expected to be almost doubled in the coming years.

Figure. 8 [The scale of e-commerce logistics market in China from 2007 to 2012]



Third, China has made an effort in order to develop legislation infrastructure related to electronic commerce. With the start of "Law of Electronic Signature" which was published in 2004, being regarded as the first law related to electronic commerce in China, several policies, laws, regulations are formed.

Table. 1 [The Policy, Law, or Regulation related to E-Commerce in China from 2004 to 2010]

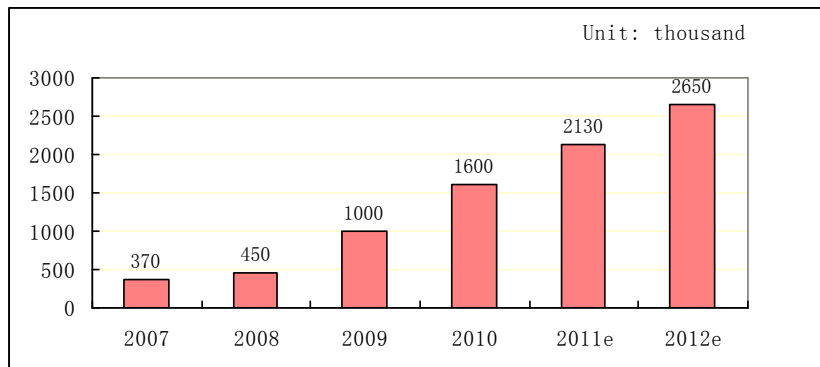
Name of Policy, Law or Rule	Department of Management	Promulgated Date
Law of Electronic Signature	Ministry of Justice	2004. 8
Opinions on Accelerating the Development of E-commerce	State Council	2004. 12
Mngt. Rule of Electronic Identification Code	Department of Password Management	2005. 3
Mngt. Rule of Online Payment	People's Bank of China	2005. 6
Guidance of Online Payment	People's Bank of China	2005. 10
The State Informatization Development Strategy (2006-2020)	State Council	2006. 5
Guidance of Online Business	Department of Industry and Commerce	2007. 3
Standard of E-commerce Model Standard of Online Business Service	Department of Industry and Commerce	2008. 4
Mngt. Rule of Bank Card Security	People's Bank of China	2009. 4
Mngt. Rule of Online Business and Service	Department of Industry and Commerce	2010. 6
Mngt. Rule of Non-finance Institution Payment Service	People's Bank of China	2010. 6

The [Table. 1]⁹⁾ above shows twelve main policies, laws or regulations which were established in China from 2004 to 2010. Among the policies, laws, or regulations in the above table, "Opinions on Accelerating the Development of Electronic Commerce", which was promulgated by the General Office of the State Council in 2004, suggests many important measures. Also, "The State Informationization Development Strategy

9) China Electronic Commerce Research Center, China E-Commerce Market Data Report of 2010, 2011.1.18, pp.45-47.

(2006–2020)", which was established by the General Office of the State Council, sets China's goals, tasks, plans and policies for informationization development for the next 15 years.

Figure. 9 [The number of e-commerce practitioners in China from 2007 to 2012]



The last one is human resource. The [Figure. 9] above shows the number of practitioners who are working in industry of electronic commerce in China. The development of electronic commerce brings about a lot of employment opportunities to Chinese people. The number of practitioners increased by more than 500 thousands every year from 2008 to 2010. As a result, in 2010, the number of practitioners in electronic commerce industry is 1.6 million and it is estimated to reach 2.65 million in 2012.

III. Main problems of Electronic Commerce Industry in China

1. Security

Low security is one of primary barriers which restrict development of

electronic commerce in China. Since electronic commerce is sales, it consists of the exchange of data, which could be personal and sensitive, in order to facilitate the financial payment system for business transactions. According to the statistic, 200 million people, which account for 44.7% of the total internet users, encountered with hacker attacks and viruses during the first half year of 2011 in China.

Table. 2 [The Status of Internet Security in China from 2009 to 2011]

[unit : million]

year	hacker attacks and viruses	ratio	online theft (account number or password)	ratio
2009. 6	200	57.6%	110	31.5%
2009. 12	217	56.6%	121	31.5%
2010. 6	250	59.2%	130	30.9%
2010. 12	209	45.8%	100	21.8%
2011. 6	217	44.7%	121	24.9%

As it can be seen from the [Table. 2]¹⁰⁾ above, more than half of the internet users experienced attacks of hackers and viruses from January 2009 to June 2010, with an exception of small drop during the second half year of 2011, which accounted for 45.8%(209 million). Actually, from that point, the ratio of number of people who encountered hacker attacks and viruses accounts for less than 50%. Although the number of people who encountered online theft like stealing account numbers or password was less than those who experienced hacker attacks and viruses, their ratio accounted for more than 30% from January 2009 to June 2010. Again, being same as hacker attack and viruses' case, the ratio of number of people with online

10) CNNIC, The 28th China Internet Development Report, 2011. 7, pp.36-37.

theft started to decrease below 30% from June 2010.

With the development of electronic commerce industry, it is more widely and more often required to apply online banking, online contracts, electronic signatures, and so on. Furthermore, with a great rise in online banking options and shopping sites which encourage users to expose their personal information, a large amount of information as well as capital flows for online transaction are allocated on the internet. Therefore, electronic commerce security is more important than ever before. More encryption technology and security measures should be developed and applied to electronic commerce. Feeding sensitive information into a computer without the appropriate encryption makes computer users quite vulnerable. The electronic commerce security issues are mainly related to hacker attacks, viruses, online fraud, online theft and other illegal behaviors. They greatly reduce the public's trust to electronic commerce and hinder the rapid development of electronic commerce.

2. Online Payment System

Traditionally, as Chinese people are used to pay in cash with haggling, the rate of payment with credit cards through the credit payment system is quite low.¹¹⁾ The lack of infrastructure like electronic payment system or low supply of credit cards obstructs the development of electronic commerce industry.¹²⁾ It is quite common for Chinese people to order the commodity through the internet and pay in cash to the seller after they receive the commodity.¹³⁾ Moreover, as few site is equipped with its own online

11) According to the statistics by "Consumer Research Co. Ltd" and "xenow.com", 51% of people who buy the commodity through the internet pay by COD(Cash On Delivery), and one third use their credit card for payment. Also, 15% use remittance.

12) Choi, J., Bae, D., Song, H., "Korean Firms' Entering Strategies into Chinese EC Market", Journal of the Korea Industrial Information System Society, Vol. 7, No. 1, Korea Industrial Information System Society, 2004, p.159.

payment system and frauds through the internet have been frequently occurred recently, more and more people disapprove the payment though the internet.

In China, until the beginning of 2000, there was no company which provides its own online payment service despite a great growth in electronic commerce. The union of banks in China established "chinapay.com" as a public institutional company which has an online payment service system.¹⁴⁾ This company can be considered as the first PG company(Payment Gateway) and it is the biggest one, having most IT companies as its customers. This company started to serve their service from 2002, but the service requires the users(customers) to put through a quite complicated process, and it brings out considerable difficulties to their users for penetration in industry of electronic commerce. As a result, the big companies like 'taobao.com' or 'ebay.com' developed their own PG systems and many PG companies had been established since 2005. With this trend, it gets much easier for the users(customers) to use the service and there has been a steady increase in number of PG company.

The main problems in China's online payment service systems can be summarized into two. The first one is related to security, which was discussed in the previous sub-chapter. In online payment, because buyers pay to their sellers through banks in order to complete their transactions, banks play an important role. However, China's state-owned bank does not have an unified communication platform, and its financial supervision and the macro-control policy are not enough.¹⁵⁾ Although there are several

13) Seok-Beom Choi & Young-Chan Lee, "The Solutions of Problems in E-Commerce in China", *International Commerce and Information Review*, Vol. 8, No. 2, Korea Association for International Commerce and Information, 2006.6, p.201

14) Yong-Keun Lee, Chang-Bong Kim, Si-Joong Kim and Geoung-Hee Park, "The Present Status and Future Prospect of E-commerce Market in China", *E-Trade Review*, Vol. 6, No. 1, August, 2008. p.50.

15) Xuejian Wang, "Payment Security in E-Commerce", *International Economics and Trade Research*, Vol.18, No.4, 2006, p.78.

third-party online payment platforms in China, their credibility is not enough, because they are non-financial organizations. They cannot supervise buyers and also cannot guarantee the security of transaction.

The second problem is a slow turnover rate. The working process of third-party online payment system is that firstly, the buyer transfers the money to the account of the third-party online payment service institutions. Then, only after the seller delivers the goods to the buyer, the money is transferred to the seller's account through the third-party online payment service institutions. This process takes much time and has a long cycle. Since the buyer is stranded at the third-party online payment service institutions, this mode of payment is not appropriate to achieve the requirements of electronic commerce, which highly demands liquidity.¹⁶⁾

In short, it is necessary to establish an electronic web which can cover the whole territory concurrently. Also, there should be enough infrastructure which can analyze and evaluate the credit of customers together. These are the primary goals which need to be achieved for firm establishment of electronic commerce in China.

3. Logistics

There has been an increasing demand in industry of logistics in China, showing an upward trend. However, it is still limited because of the lack of the capability in managing logistics infrastructure and a big gap between east and west region in China. Therefore, it can be said that the logistics system in China is still at the early stage of development, so the scale of logistics market is small and the level of development is quite low at this moment. The problems of logistics infrastructure in China can be discussed in three aspects. First, there is lack of proper understanding about logistics. People

16) Y. Jin & W. Song, "On Developing China's Third-Party Payment", International Federation for Information Processing, Vol. 9, No. 251, 2007, p. 581.

confine process of electronic commerce to the electronization of information flow, business flow and capital flow. The electronic process of logistics is out of their awareness. Logistics is simply considered as a new name or extension of the transportation industry. As a matter of fact, modern logistics are still being done by traditional distribution channels.

The second concern is related to an unreasonable layout of logistics infrastructure. Although the government has increased their investment on logistics infrastructure recently, there is a big gap between regions in China. The transport facilities are advanced in the east region, which accounts for approximately 50% considering the level of development. On the contrary, the central and west region accounts for 34% and 16% respectively. Due to the gap over the country, the companies which do not have their own logistics systems use independent logistics companies or delivery services provided by post offices, and they often experience difficulty in delivering their commodities because of the undeveloped infrastructure in certain regions.¹⁷⁾ Moreover, internal facilities and equipments of logistics enterprises are backward. A delay in development of the logistics infrastructure layout results in inefficient transport in logistics industry.

Thirdly, logistics enterprises need to improve their management system and service level. Generally, logistics enterprises simply provide transport and warehouse service even though higher level of logistics services such as logistics information service, inventory management, logistics cost control and etc. are required nowadays. Most enterprises lack the internal management standard, experiencing difficulty in providing regulatory logistics services.

4. Legislation

The legislation which are related to IT is quite complicated in China

17) Seok-Beom Choi & Young-Chan Lee, *op. cit.* p.201.

because they are enacted independently by the government as well as their provinces. As mentioned in the previous sub-chapter, 'Development of Electronic Commerce', many laws, policies and rules have been established in China for the development of electronic commerce. However, there are still several problems which need to be solved, and they can be discussed mainly in four aspects. First, there could be legal problems in an electronic contract. Since there is no standard form for electronic contracts in industry of electronic commerce, it is hard to identify its legal effect when there is any dispute regarding electronic contracts.

The second one is a legal problem of electronic commerce security. Even though many developed countries are furnished with laws related to security in electronic commerce like 'Data Protection Act' in Britain, and 'Electronic Communications Privacy Act' in U.S.A, China does not have enough legal rules in relation to security in electronic commerce.

Thirdly, legislation related to intellectual property protection in electronic commerce can be discussed.¹⁸⁾ In the network environment, the internet makes activities of users transnational. The existing copyright system seems inadequate to be applied to electronic commerce, and the work cannot be controlled effectively. Nowadays, electronic commerce activities are related to domain names, computer softwares, copyright, trademark, and etc. and the problems which are caused by these factors cannot be simply resolved by encryption techniques. A comprehensive legal framework should be established in order to provide both physical and legal protection procedures.

The last problem is a tax system in electronic commerce. As electronic commerce is a multinational and paperless transaction, the traditional law as to tax is not suitable to be applied to electronic commerce. Therefore, the law governing tax in industry of electronic commerce should be established as soon as possible.

18) F. Gao, "The E-Commerce Legal Environment in China: Status Quo and Issues", Temple International and Comparative Law Journal, Vol.18, No.1, 2007, p.67.

5. Human resource

There is a serious shortage of human resources in industry of electronic commerce. Although the number of electronic commerce practitioners has increased in recent years, the human resources in this area is not enough compared to those in developed countries. In developed countries, the IT industry occupies more than 50% of their whole industry, taking the development of country's economy into consideration, and more than half of working people are employed in IT industry. On the contrary, the employment rates of experts who specialized in computer software and hardware are just 12.5% and 6.25% out of total who are working in IT industry in China.¹⁹⁾

In order for the people to work in electronic commerce industry, they should definitely have proper education. However, in China, there are not enough teachers who have professional knowledge about electronic commerce. Rather, the people who have studied computer, management, marketing and so on teach electronic commerce. Moreover, because they do not have any working experience in the area of electronic commerce, their teaching is not precise and is quite limited, just being engaged in theory. In addition, the direction of teaching is ambiguous. Many education institutions do not have clear training objectives in electronic commerce industry. Also, the teaching methods are not practical. Most teachers focus on only textbooks without combining with practice.

There is no doubt that human resources are one of the most important factors in a long-term and qualitative development in electronic commerce industry and this cannot be achieved in a short period of time. Here, human resources means not only professional teachers who are engaged in education but also practitioners who work in industry of electronic commerce with

19) Moon, B., Kim, K., "Status and Prospects of Chinese E-Commerce", *Electronics and Telecommunications Trends*, Vol. 15, No. 6, Electronics and Telecommunications Research Institute, 2000.12, p.97.

high-level knowledge.

IV. Conclusion

China has been gathering the world's attention as one of big markets in electronic commerce industry, but it is recognized that there are some limitations in development of electronic commerce industry. It is clear that several problems which Chinese industry of electronic commerce bears should be resolved in order to activate electronic commerce in the future. The main problems which have been discussed in this paper are that first, the safety in electronic commerce is not fully secured because there is not a perfect security system. Second, the online payment system under electronic commerce is not fully equipped because of lack in infrastructure which is necessary for online payment. Third, there is not proper logistics infrastructure which can cover actual logistics under electronic commerce. Fourth, the law systems regarding electronic commerce are not fully established, and also there are some barriers which are intentionally set up by the Chinese government. Fifth, there is a shortage in human resources who are able to work professionally and contribute their high-level knowledge to the industry of electronic commerce. In addition, Chinese people has low recognition about electronic commerce, and the commodities for electronic commerce are quite restricted.

As solutions for the problems mentioned above, first, the infrastructure for security system of online transaction should be fully equipped. Second, infrastructure for online payment system should be provided in various ways and it should be easy and simple to use them with guaranteed security as well. Third, appropriate logistics system should be constructed, so that delivery should be made effectively throughout the whole country. Fourth, even though electronic commerce is one form of commercial transactions, it is quite different from off-line transactions. Therefore, different legislation

should be established considering different characteristics of online transactions. Fifth, more investment should be made for development of human resource.

There is no doubt that China is a big market for electronic commerce industry and its market will get bigger in the future. Lots of enterprises from all over the world want to extend their business to China, and the market for electronic commerce is quite attracting. While China should take countermeasures to solve the problems which they are facing to, the enterprises who are interested in doing their business in China should be aware of the current situation and get the corresponding strategies for the success of their business.

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ABSTRACT

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China draws lots of attention from many multinational corporations all over the world as one of the biggest market in the world. Due to the huge territory and explosive population, it is considered that China has endless potentiality. Moreover, since China joined the WTO, China opens its market, developing the policies for opening of its market. Based on the enormous purchasing power, China gets another attention in industry of electronic commerce. With the development and expansion of information technologies, China's electronic commerce has rapidly developed. Since the market of electronic commerce in China is in the developing stage, there is still a big market for electronic commerce and also Chinese government has made much effort in order to develop the industry of electronic commerce. However, in spite of these circumstances, the Chinese electronic commerce industry is far behind the developed countries. There could be many reasons for slow development in industry of electronic commerce and the main purpose of this paper is to discuss these reasons. First of all, the current status of electronic commerce industry in China will be analysed, and then, main problems of electronic commerce industry will be discussed in order to find out the reasons why the industry of electronic commerce cannot develop as much as it is anticipated. It is expected that this paper can contribute to understanding electronic commerce industry in China, and it will be helpful for companies which have a plan to extend their businesses in China.

Key Word : electronic commerce , e-commerce in China, online payment, infrastructure in e-commerce