



# e-Commerce in People's Republic of China and ADB's Recent Work

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# Outline of Presentation

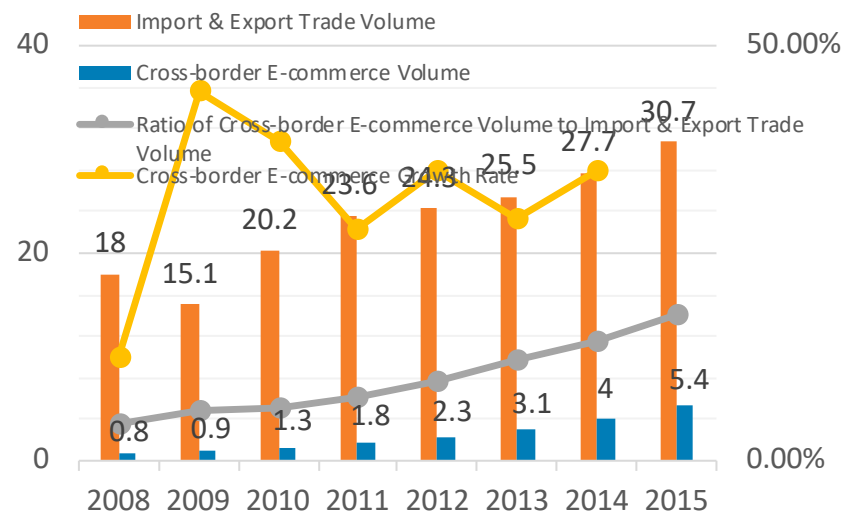
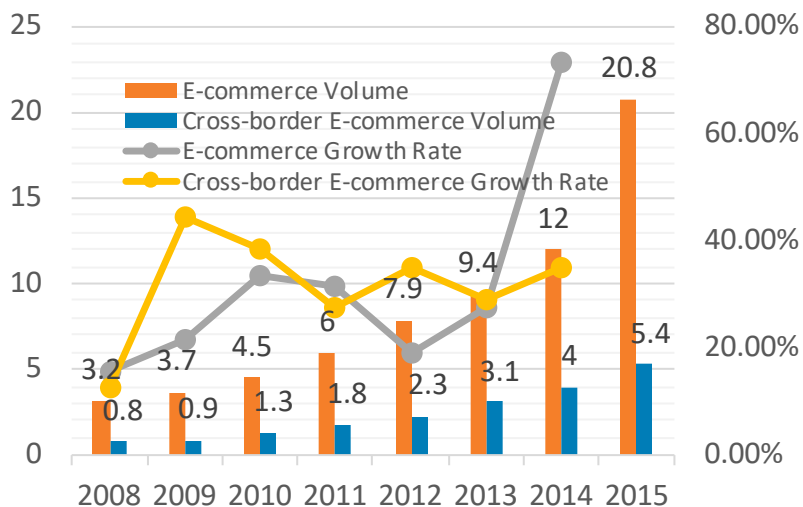
- Part I – e-Commerce in PRC
- Part II –ADB & e-Commerce
- Part III – Cases of ADB Support for e-Commerce:
  - ✓ Internet Plus Agriculture
  - ✓ TA: Strengthening the Role of e-Commerce for Poverty Reduction in Chongqing
  - ✓ Guangxi RCI Promotion Investment Program (MFF)

# Part I: e-Commerce in PRC



# e-Commerce in PRC

- Globally #1 in e-Commerce transaction volume, passing US in 2015
- Size of market, developed ICT infrastructure, policy initiatives and regulatory reform



Source: 2008 to 2014 PRC National Industrial Information (CNII); 2015 PRC e-Commerce Research Center



# e-Commerce in PRC

## What's unique?

- Low-tier cities driven (3<sup>rd</sup> to 4<sup>th</sup> tier cities)
- Social media driven (etc. Wechat): product promotion, reviews-> evolving to e-Commerce platform
- Price to quality
- Desktop commerce to mobile
- Innovation driven: payment (Wechat pay, Alipay), security (Pay with Face, Buy +)
- Big data, O2O (online to offline), New Retail

# Part II: ADB & e-Commerce



# ADB Support Framework

Policy Advisory & Coordination	Capacity Development	Investment
TAs Researches Survey Policy coordination Legal & regulatory advice Publications	TAs Training Workshops International Good Practice Knowledge sharing & exchange	Policy Loan Investment Loan MFF RBL FIL Guarantee PPP Co-financing



# ADB's Roles for e-Commerce

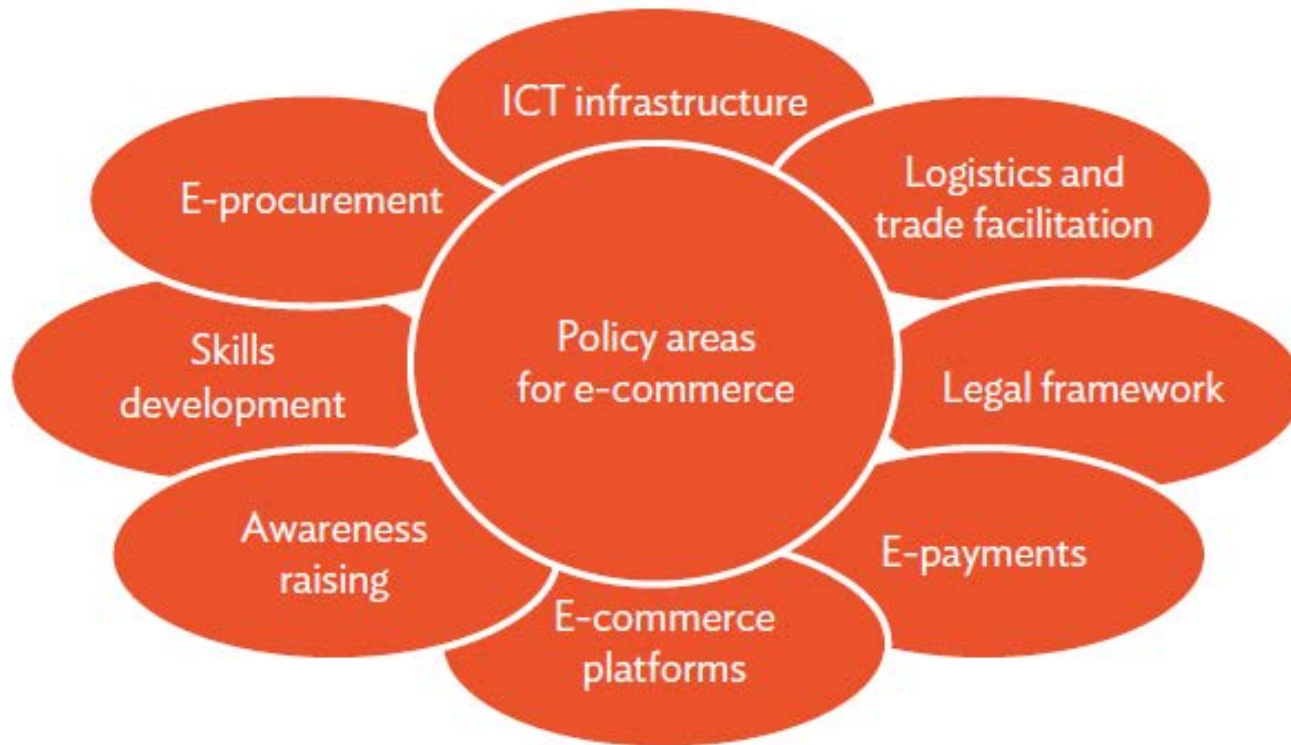
- ADB ICT strategy (2003), Toward E-Development in Asia and the Pacific: A Strategic Approach for Information and Communication Technology.
- Roles of ADB
  - ✓ Financing
  - ✓ Knowledge
  - ✓ Capacity building
- ➡ **Addressing physical and institutional barriers**
  - Policy reform, national & provincial level strategy, capacity building
  - Opportunity for inclusive growth (SME, rural areas development, talents return)





# ADB & e-Commerce

## 8 Policy Areas for e-Commerce Growth



Source: UNCTAD (2015)



# ADB & e-Commerce

- Vision for ICT knowledge anchor
- Specialized in addressing Institutional and sociopolitical barriers
- Complete solutions with knowledge and financing mix
- Approach with inclusive growth perspective (SME oriented, rural and remote areas)
- International and regional cooperation facilitator

# Part III: Cases of ADB Support for e-Commerce

## 1. TA: Internet Plus Agriculture



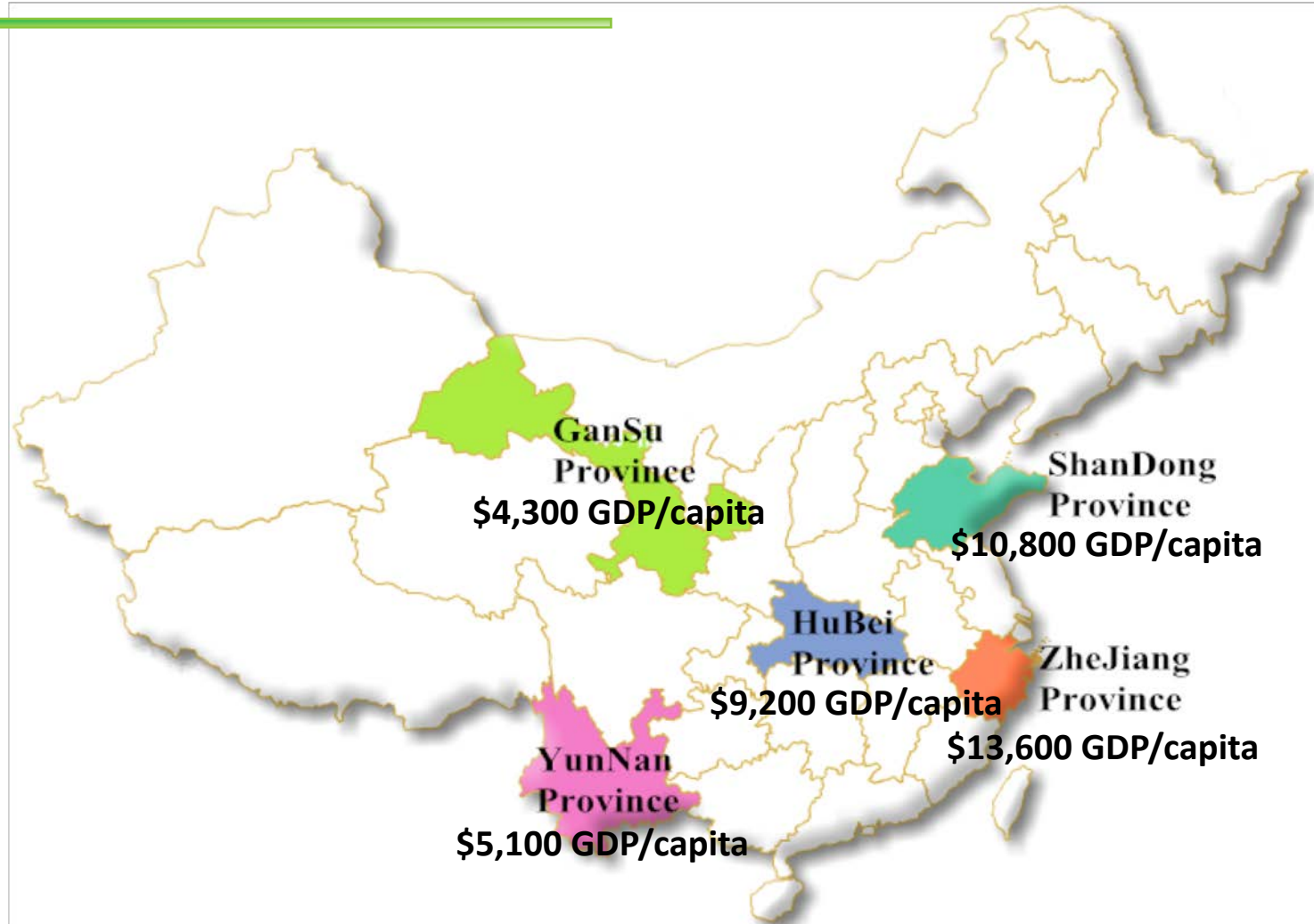
# Background

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- Department of Rural Economy, National Development and Reform Commission (NDRC) requested ADB to provide technical assistance
- What is Internet plus? Add ITC to all
  - refers to the enhancement of rural economy through improved information and communication technology and infrastructure
  - includes the use of mobile Internet, Internet of things, cloud computing, and big data along the food and agriculture value chain



# Case Study Provinces



Source: GDP 2017 quarterly data, nominal US\$ - National Bureau of Statistics NBS, <http://data.stats.gov.cn>

# Rural Economy

- **Small-sized** and highly-scattered: average farm size is **below 1 hectare**
- 209 million Internet users in rural areas: **rural Internet penetration rate of 56%**; 47% of rural Internet users use **online payment** with mobile phones
- Economy has **access to rural markets to sell consumer goods** – followed by opportunities to sell agriculture products to urban markets



# Government Policies and Projects

- **Broadband access expansion to villages:** planned investment of \$22 billion from 2015-2020 to increase broadband **coverage from 90% to 98%**
- **Demonstration projects** for Internet of Things (IOT)
- applications for:
  - ✓ **Precision agriculture** to reduce inputs (fertilizers, pesticides) which reduces non-point source pollution and increases food safety
  - ✓ Enhanced product **traceability** through the use of RFID tags, QR codes, and **blockchain technology**







# Agricultural e-Commerce

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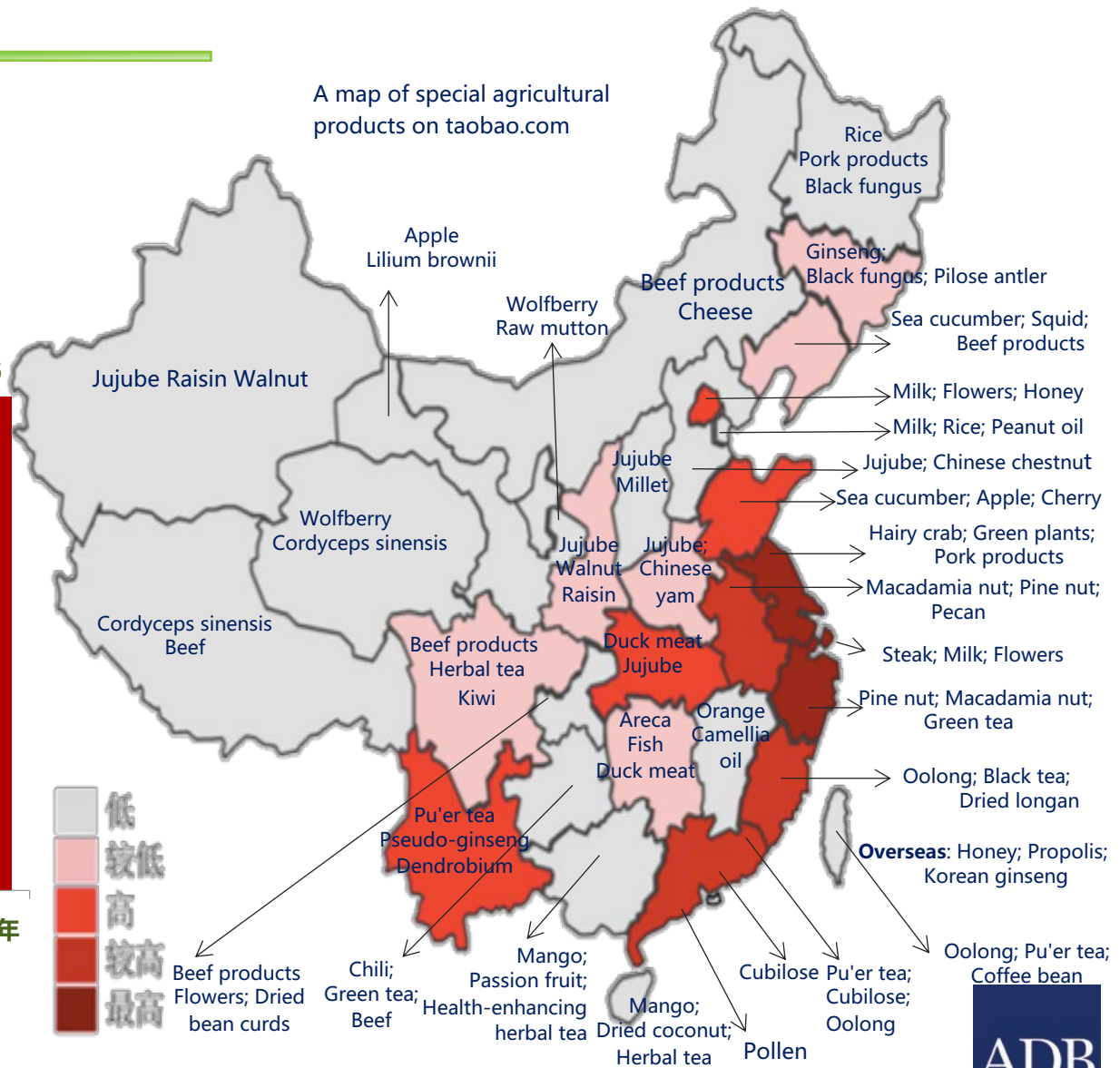
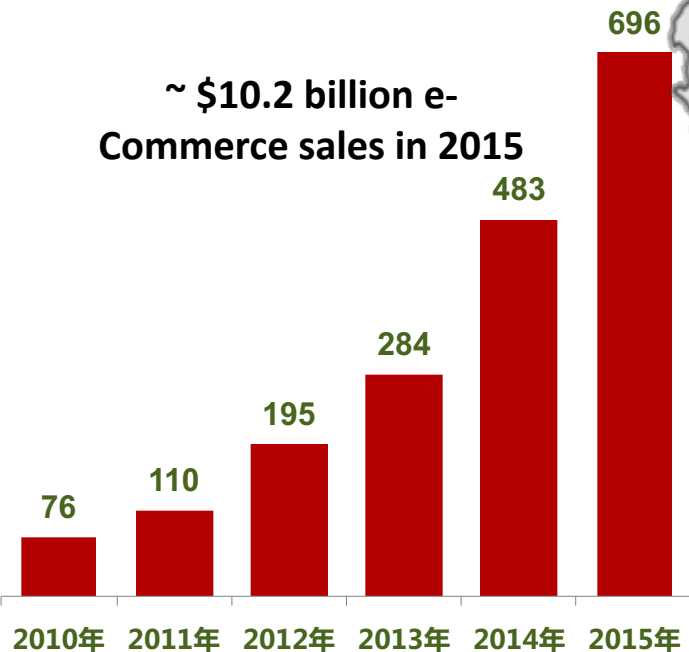
- The **most active part** of Internet plus rural economy
- A rapid increase in the quantity and sales of agricultural products sold online
  - Agriculture e-Commerce **trade volume** reached **\$35 billion** in 2016
- Farmers, cooperatives, and enterprises **rely on third-party platforms** (Taobao, Tmall, Jingdong, Suning, etc.)
- **Oligopoly**: Alibaba and Jingdong are dominating the market with strict conditions for access and **high fees** for marketing activities



# Agricultural e-Commerce Market Potential

## Sales of Agricultural Products on Ali Platforms during 2010–2015 (Unit: CNY100 million)

~ \$10.2 billion e-Commerce sales in 2015





# Agricultural e-Commerce



**Agricultural  
Products Online  
Sales**



**Rural  
e-Commerce**



**Shopping  
Online**



# Agricultural e-Commerce



**Young people return home to start e-Commerce business**





# Agricultural Logistics

- Reliable agricultural logistics system is essential to integrate rural into wider economy:
  - ✓ Cold chain technology
  - ✓ Packaging standards
  - ✓ Warehousing

## 天网



实现“供销社上网”

## 地网



实现全省“一盘棋”

## 人网

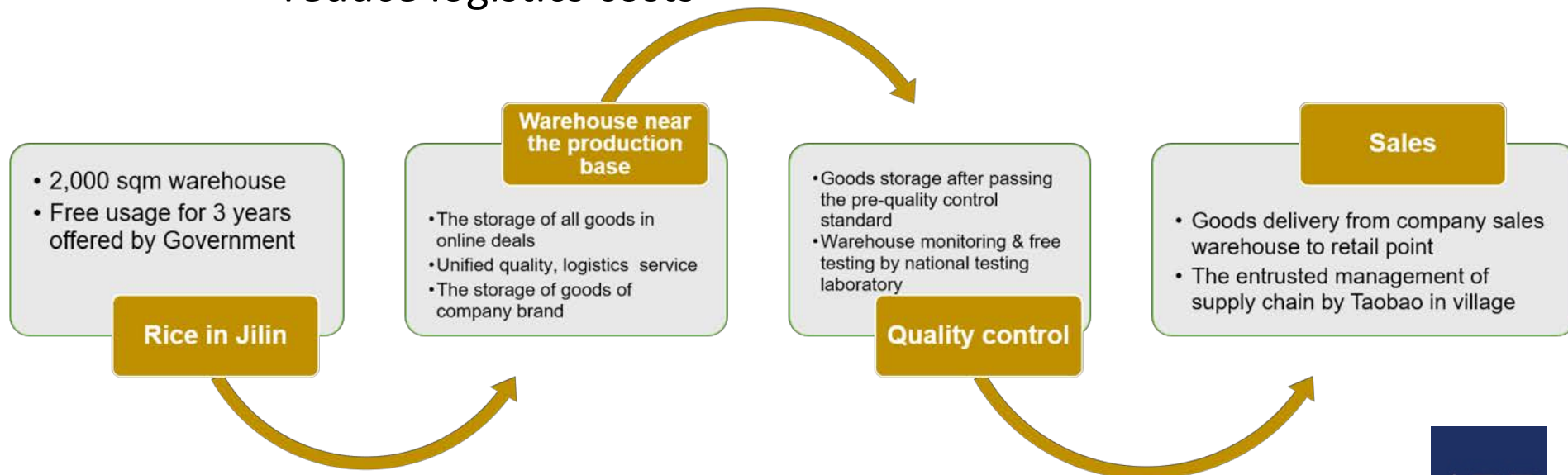


实现全省“一家亲”



# Agricultural Logistics

- **Cainao Smart Logistics Network**
  - Logistics information platform **connects network of warehouses and distribution centers** – real time access to orders, pickup status by collaborating partners
- **Production Warehouse: Alibaba Group, Yanbian, Jilin**
  - Inspection, packaging, and **storage near production area** – reduce logistics costs





# Agricultural Extension Services

- Access to e-Commerce requires organizing small household farmers
  - Single farmer has insufficient capacity for packing, branding and marketing.
  - Setting up rural cooperatives or contract farming for enterprises
- Ministry of Agriculture and other agencies use online agriculture information platforms to effectively disseminate agriculture technology and market-related information.
  - Overcome the 'last mile problem' of extension services through information platforms targeting farmers' mobile phones.







# Internet of Things in Agricultural Extension Services

**Application of IOT enables real-time quality control and provision of production management support**



**Automatic film rolling equipment**



**Modern greenhouse**

# Traceability

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- e-Commerce together with IOT applications can **break information asymmetry** between trading partners
- Enables a **two-way automated information exchange** system between producers and consumers
- **Scanning of QR codes and RFID tags** along the food and agriculture value chain
- Customers can scan QR codes and receive real-time and credible source and process information about the final product.







# SUMMARY

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- **e-Commerce** – the driving force for Internet plus economy – is **well established**.
- Access to e-Commerce will require **public sector support for agricultural extension** services to standardize production, organize farmers, and build logistics capacity in remote and poverty-stricken areas. Good experience in project implementation through dragonhead agro-enterprises.
- Application of ICT and IOT offers high potential for **improved** traceability, **food safety** and **reduced non-point source pollution**. Additional **public sector support** in developing these systems is still required to enhance public good food safety.

# Part III: ADB Support for e-Commerce

## 2. TA: Strengthening the Role of e-Commerce in Poverty Reduction in Chongqing



## Rational

- Most of PRC's absolute poverty people are located in remote mountainous areas, hard to access to the markets
- e-Commerce offers a new market access approach
- PRC government are promoting poverty reduction through e-Commerce development
- ADB will use Chongqing as a example to review and analyze PRC's experience



# Contents

- Impact: Access to markets for agricultural products expanded
- Outcomes: e-Commerce for poverty reduction in the rural and mountainous areas of Chongqing strengthened and applied effectively
- 3 Outputs:
  - Practical and effective e-Commerce models for poverty reduction developed
  - Recommendation on improving legal and policy framework for applying e-Commerce in targeted poverty reduction prepared
  - Capacity of CMG and poverty counties for e-Commerce development in rural areas enhanced



# Preliminary Findings

- Sizable gains in household real income, but that these gains are limited to a minority of local households who are younger and richer.
- The welfare gains are driven by a significant reduction in household cost of living due to access to the new e-Commerce shopping option that provides greater product variety, cheaper prices and a reduction in travel costs.
- The effects are mainly due to lifting the logistical barriers to rural e-Commerce, rather than additional investments to adapt e-Commerce to the rural population.

(e-Commerce Integration and Economic Development: Evidence from China Victor Couture, Benjamin Faber, Yizhen Gu, and Lizhi Liu, NBER Working Paper No. 24384, March 2018, Revised August 2018)

## **Part III: ADB Support for e-Commerce**

# **Guangxi RCI Promotion Investment Program (MFF)**





# Multitranche Financing Facility



**Impact:** Greater economic integration

**Outcome:** RCI opportunities realized

**5 Interlinked Outputs:** SME; financial services; **e-Commerce**; BEZ development; connectivity

**3 Tranches** (\$450 million OCR and Regional set-aside)

**Why MFF?:** long term commitment; flexibility; phased funding; policy dialogue; private sector participation





# e-Commerce Component

**Table 3: ADB Financing for the Investment Program  
(\$ million)**

Item	Tranche 1	Tranche 2	Tranche 3	Total
Small and medium-sized enterprises development <sup>a</sup>	86.4	40.0	0.0	126.5
Cross-border financial services	0.0	6.5	14.0	20.5
Cross-border e-Commerce	27.3	32.0	0.0	59.6
Border economic zone development	6.9	70.0	56.5	133.2
Cross-border connectivity	0.0	50.0	48.0	98.0
Technical and institutional support	9.4	1.5	1.5	12.2
<b>Total</b>	<b>130.0</b>	<b>200.0</b>	<b>120.0</b>	<b>450.0</b>

- ✓ Demonstration e-Commerce incubation parks in Fangchenggang, Longbang, and Pingxiang
- ✓ Help implement measures to improve customs and sanitary and phytosanitary services related to cross-border e-Commerce.



# e-Commerce in Guangxi

- Guangxi e-Commerce transaction CNY 442 billion
- Strategically location to connect southwest, south, and central PRC neighboring with ASEAN and South Asia
- Focusing on the promotion of cross-border e-Commerce activities
- Plan to build PRC-ASEAN cross-border e-Commerce base
- Progress on interconnectivity of land, sea, and air infra
- Improved logistics system
- Unmet demand for ICT talents and human resources for e-Commerce



# Opportunities and challenges

Opportunities	Gaps to overcome
<ul style="list-style-type: none"><li>• One Belt One Road Initiative</li><li>• National Internet + initiative</li><li>• Innovation and new technology-big data, mobile internet, social media platform, cloud computing, etc.</li><li>• Geographical advantage: The only province connected via land and sea to ASEAN and GMS</li></ul>	<ul style="list-style-type: none"><li>• Poor infrastructure</li><li>• Weak trade facilitation and logistics</li><li>• E-payments</li><li>• Complicated border clearance</li><li>• Disharmonized customs requirement</li><li>• Poor ICT literacy</li><li>• Consumer protection</li><li>• Lack of capacity and talents</li><li>• Monopolized platform with high cost</li></ul>



# Sub-projects

T1	\$27 mil	<b>Development of Smart Port for Longbang Border Economic Zone</b> Develop cross- border trade platform, cross-border settlement platform, cross-border customs clearance platform, and related items.
T2	\$ 15 mil	<b>Development of Cross-Border e-Commerce Park in Pingxiang BEZ</b> Establishing PRC-Viet Nam Cross-Border e-Commerce Park, incubator and related facilitation, including information exchange platform, international mail and small parcel exchange, cross-border trade logistics information management platform, etc.
	\$ 12 mil	<b>Development of Fangchenggang Cross-border e-Commerce Incubation Park</b> To provide common facilities and space for R&D, production and operation; common ICT and network infrastructure; training and advisory services related to policy, financing, legal framework and marketing; training of e-Commerce operators including SMEs and individual traders.
	\$ 9 mil	<b>Development of PRC-ASEAN Agriculture Trade Facilitation Platform in Longbang BEZ (PPP Candidate):</b> Block train system, quality and SPS inspection platform, new cold storage facility, logistics information platform, import and export animal and plant quarantine and inspection center, etc.
T3	N/A	Under process of ADB ICT Anchor Group consultation



# ADB's Value Added

- Honest Broker, facilitator, and advisor
- Tailor-made investment plan (PBL, MFF, FIL, etc)
- Catalyzing physical infrastructure investment
- Resource mobilization: sourcing expertise, special funding, Dialogue facilitation, etc.
- Knowledge exchange and capacity development per needs



Thank you.

