



News Focus No.12 2015

MOFCOM rolled out “Internet Plus Circulation” action plan to deepen integration between Internet and the circulation industry

On May 15 2015, the Ministry of Commerce (hereinafter “MOFCOM”) of China released the "Internet Plus Circulation" action plan¹ (hereinafter “the action plan”), in an effort to deepen integration between Internet and the circulation industry, promote transformation and upgrading of the circulation industry, enhance circulation efficiency, and cultivate new economic growth drivers. Under the action plan, China is striving to promote e-commerce development in rural areas, small and medium-sized cities and communities, and to advance online and offline interactions to stimulate consumption potential. We will be introducing the highlights of the action plan in the following report.

I Background

A new “Internet Plus” initiative, introduced by China's premier Li Keqiang at the National People’s Congress on Mar 5 2015, represents a new model of industries based on the evolution of the Internet. The initiative aims to integrate mobile Internet, cloud computing, big data and the Internet of Things with modern manufacturing, to encourage the healthy development of e-commerce, industrial networks, and Internet banking, and to help Internet companies increase international presence.

Statistics have shown that the Internet industry has greatly contributed to the 13.22 million new urban jobs China created over the last year, according to the data released by the State Council. Also, the role it played in promoting the development of small and micro-sized businesses is obvious. As the Premier said, encouraging entrepreneurship is one measure the government has adopted to address the downward pressure faced by the Chinese economy amid the sluggish recovery of the global economy. To further address the issue, the action plan was formulated to boost transformation and upgrading of the circulation industry in China, which includes logistics, wholesale and retail, and e-commerce, etc. and foster innovative industries as well as release consumption potential.

II Highlights

The following 5 targets had been specified in the action plan, focusing on building an updated circulation industry with orderly competition in the fields of application of e-commerce in rural areas, small and medium-sized cities and communities, online and offline interactivity and cross-border e-commerce in one to two years:

- 1) To nurture 200 counties to lead e-commerce development in rural regions, with annual average growth in trading volume of no less than 30% from the current level;
- 2) To set up 60 national e-commerce demonstration bases, establish 150 e-commerce companies with strong competitiveness, upgrade 50 traditional companies engaging in circulation or service industries, and nurture 100 online service brands;
- 3) To promote and build 100 e-commerce warehouses overseas utilizing market mechanism;
- 4) To guide local authorities to build 50 e-commerce training centers to equip 500,000

¹ <http://dzsws.mofcom.gov.cn/article/zcfb/201505/20150500972952.shtml>

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Hong Kong Branch, Business Development Office

Daisuke Koizumi、 Zhi Yang 、 Jenny Yang
TEL: (852) 2823-6975 Email: Jenny_J_Yang@hk.mufg.jp

- professionals with comprehensive e-commerce knowledge and skills;
- 5) Strive to reach RMB 22 trillion of e-commerce trading volume and RMB 5.5 trillion of online retail sales volume by the end of 2016.

Major tasks stated in the action plan include: to cultivate e-commerce network in rural areas and support farm products brand building; to encourage e-commerce in communities and expand the related online services; to support e-commerce in small and medium-sized cities to improve the efficiency and convenience; to activate the consumption potential by offline and online interaction; to expand the overseas markets by development of cross border e-commerce; and to encourage companies to “go global” with accelerating their overseas marketing channels expansion and creating their own brands.

The action plan also put forward detailed measures in 4 aspects to guide and help e-commerce businesses making further forays into relatively unexplored markets, as well as to encourage cross border trade via better coordination between online platforms and offline retail stores. Please refer to below table for further reference.

Aspect	Policy measures
Policy guidance and infrastructure enhancement	1.Research detailed policy guidelines to support top-level design and the 13 th Five-Year Plan for e-commerce
	2.Improve e-commerce infrastructure services including cable broadband, mobile network coverage, logistic networks and after-sale service
	3.Promote the integrated development of e-commerce and express delivery services
	4.Strengthen the e-commerce monitoring system and promote big data analysis
	5.Strongly combat intellectual property infringement and fake goods
Demonstration and innovation	1.Deepen the establishment of e-commerce demonstration bases and promote the upgrading of traditional industries
	2.Guide the innovative development of traditional e-commerce companies
Publicity and trainings	1.Promote the communication among regions on e-commerce development and conduct seminars to publicize relevant topics
	2.Improve trainings for e-commerce professionals
Legislative efforts	1.Further perfect the e-commerce related laws and regulations
	2.Actively participate in e-commerce legislation and international rules formulation to facilitate multi-lateral cooperation in e-commerce

III Comments

According to statements from MOFCOM, with the measures under the action plan, it is predicted the country’s 2016 e-commerce transactions will hit RMB 22 trillion, almost double the RMB 13.4 trillion recorded for 2014. MOFCOM also aims to lift the annual value of online retail sales, referring specifically to those through third-party online marketplaces like Taobao, to RMB 5.5 trillion in 2016. The figure would also nearly double the RMB 2.8 trillion recorded in 2014. The action plan echoed China’s rapidly growing online shopping market in recent years. However, despite the booming Internet industry, high cost of logistics, especially increasing cost of labour is one of the factors restricting the economic development of China. The action plan is intended to break through the bottleneck of the circulation industry in China.

Experts predicted that the "Internet plus" will not only be a kind of technical means that becomes part of this traditional industry, but also deeply root the Internet thinking in the circulation industry. All aspects from the concept, mode, and process to the mechanism should be adapted to the new situations.

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Hong Kong Branch

The e-commerce field requires earth-shaking changes to realize the real integration of "Internet + circulation" and adapt to the development of e-commerce.

What's more, the action plan allowed the market to play a decisive role in linking and sharing the resources of the society, connecting all the network nodes including those on main network, regional network and terminal network. It will enhance the efficiency and further reduce the costs by including all the fields like production, circulation, consumption, and finance together with cutting edge information network technology.

The interpretation and actual implementation of the action plan should be worthy of attention. The up-to-date information will be provided continuously by our bank.

【Disclaimer】

The information herein is provided for information purposes only, and is not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for any services, transactions, securities or other financial instruments. Before entering into any particular transaction, you are advised to obtain such independent financial, legal, accounting and other advice as may be appropriate under the circumstances. Note that BTMU may have issued, and may in the future issue, other reports that are inconsistent with or that reach conclusions different from the information set forth herein. Such other reports, if any, reflect the different assumptions, views and / or analytical methods of the analysts who prepared them, and BTMU is under no obligation to ensure that such other reports are brought to your attention.

Copyright 2015 The Bank of Tokyo-Mitsubishi UFJ, Ltd. Hong Kong Branch. All rights reserved.