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> " With China entering the WTO, the Chinese IT sector will get a boost."
>
> ***—Executive of Chinese IT company***

> " The interior provinces have been largely left out from the benefits of the Internet boom in China...Economic disparity between the coastal and interior provinces has grown worse over the years and IT growth has followed a similar trend."
>
> ***—Professor of government and public administration, China***

There is tremendous international interest in the ICT sector in China, as foreign investors and technology multinationals jockey for position to enter the large Chinese market. The Chinese government itself has a dual policy on ICT. On the one hand, it perceives ICT as a powerful tool that can contribute to the country's continuing economic development (Ranking in ICT as Government Priority: 13). On the other hand, the government is wary of the potentially disruptive social and political impact of ICT, particularly the Internet, if its use is left unchecked. This delicate balance between aiming for maximum diffusion of ICT and maintaining strict control on its applications is a daunting task for the government and a primary focus of national debate. China ranks sixty-fourth in overall Networked Readiness.

The Chinese government has recognized ICT as a major driver of China's global competitiveness (Ranking in Effectiveness of Government ICT Programs: 15). This commitment is demonstrated by its heavy investment in telecommunications infrastructure, particularly fiber-optic cables, throughout the 1990s, and significant growth in teledensity. Along with this, the government has actively supported the growth of the mobile telephony market, which recently surpassed the size of the U.S. market in number of subscribers. However, ensuring equitable distribution of access to ICT has proved to be a substantial challenge in a country that accommodates a sixth of the world's population and is characterized by islands of prosperity in a sea of destitution.

While broadband is not common in China (Ranking in Availability of Broadband: 64), a substantial user base has been created that accesses the Internet mainly through dial-up and leased lines. The government actively supports and often invests in B2B e-commerce ventures. Many export-oriented sectors and the financial sector have begun to embrace e-commerce, although it is generally still in a nascent stage (Ranking in e-Commerce micro-index: 46). The *Government Online Project*—the national e-government initiative in China—has also begun to provide basic information and services on the Internet (Ranking in e-Government micro-index: 44). ICT-mediated distance education is becoming a popular mode of educating the large and dispersed population in China and is increasingly being offered on the Internet.

The government has set ambitious targets for software export and has offered different incentives for the software industry in the form of tax provisions and access to credit. Revenues from China's software exports are currently about one-thirteenth of India's. This reflects a fundamentally different Networked Readiness strategy. In contrast to India, where most software is destined for export, most software companies in China target the domestic market only (Ranking in Availability of Local IT Services: 51) because of the growing home demand, insufficient competence in English, and lack of financial resources to market internationally.

Behind all the optimism surrounding ICT, the government is very restrictive about information exchange on the Internet. It routinely blocks selected websites of foreign media and human rights organizations and covertly monitors chat rooms and online message boards. China has only one gateway to the World Wide Web, which is guarded by ChinaNet, the government-run ISP. Internet cafés use filtering software to restrict use of the Internet to avoid potential government crackdowns.

China

Key Facts

Population	1,300,000,000
Rural population (% of total population) 1999	68.38 %
GDP per capita (PPP)	US$3,953
Global Competitiveness Index Ranking, 2001–2002	39
UNDP Human Development Index Ranking, 2001 (adjusted to GITR sample)	60
Main telephone lines per 100 inhabitants	11.11
Telephone faults per 100 main telephone lines	NA
Internet hosts per 10,000 inhabitants	0.54
Personal computers per 100 inhabitants	1.59
Piracy rate	94.00 %
Percent of PCs connected to Internet	0.34 %
Internet users per host	319.64
Internet users per 100 inhabitants	1.74
Cell phone subscribers per 100 inhabitants	6.58
Average monthly cost for 20 hours of Internet access	US$6.64

	RANK
Networked Readiness Index	**64**
Network Use component index	**70**
Enabling Factors component index	**56**
Network Access	**63**
Information Infrastructure	55
Hardware, Software, and Support	71
Network Policy	**49**
Business and Economic Environment	44
ICT Policy	54
Networked Society	**54**
Networked Learning	54
ICT Opportunities	40
Social Capital	68
Networked Economy	**48**
e-Commerce	46
e-Government	44
General Infrastructure	55