



# *China's Information Revolution: Managing the Economic and Social Transformation*

## **BACKGROUND**

Information and communication technology (ICT) has played a prominent role in China's development strategies since the mid-1990s. However, as China's development has entered a new stage, it requires an updated "informatization" strategy to reflect unprecedented economic and social challenges as well as opportunities. *China's Information Revolution: Managing the Economic and Social Transformation* provides an overview of key enablers and building blocks for achieving China's informatization priorities. The publication also shares insights into how e-government and e-business applications can contribute towards reducing China's disparity to ensure a balanced and equitable progress for all. This report is the culmination of 18 months of strategic research and collaboration between a World Bank team and a number of Chinese experts, at the request of China's State Council Informatization Office and the Advisory Committee for State Informatization.

## **HIGHLIGHTS**

- China has the world's largest telecommunications market, and its IT industry has been an engine of economic growth—growing two to three times faster than GDP over the past 10 years.
- ICT could make government functions more service-oriented, efficient and transparent; to make markets and resource allocations far more efficient to sustain growth; and to enhance productivity, international competitiveness and capacity for technological innovation of Chinese enterprises.
- Four key enablers and building blocks for achieving China's informatization priorities are:
  1. Legal and regulatory framework
  2. Telecommunications infrastructure
  3. ICT industry; and
  4. Levels of IT literacy and ICT skills.

These enablers, supported by strong leadership, should aim to transform administrative and business processes into automated, streamlined processes that support the two pillars of ICT applications: e-government and e-business.

- Several challenges, if not addressed properly, would impede China's informatization progress:
  - \* A coordinated institutional approach is vital to respond to the increasing trend of convergence.
  - \* Digital divide in China may intensify the rising inequalities in income and opportunities;
  - \* China relies heavily on foreign technology and expertise;
  - \* ICT skills are not strong enough to reap the benefits of informatization; and
  - \* Large-scale ICT applications projects have yielded limited results.
- These key issues need to be addressed decisively in the second half of this decade, through policies entailing institutional reform, to trigger broader changes. Policies should set an overall vision and direction for the sector, while not being overly prescriptive in order to allow for technological innovation. China would benefit from achieving a balance between government regulations and free market dynamics, and matching the supply and demand of commercially successful applications.
- Given the cross-cutting nature of ICT, government decisions about ICT can also be seen as decisions on the course of the economy as a whole.
- The issues affecting China's ICT policies and strategies are similar to those that the country will face in other sectors. The rapid pace of technology development just means that ICT issues are being addressed before other problems, and that the effects of ICT development will be felt throughout the entire economy.