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INTERNET & TECHNOLOGY

Facing Internet Age, China Retools Laws; Change Will Take Time; Country plays catch-up with other nations, as it prepares for WTO rules

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China is retooling its legal system to speed up its transition to the global economy. That includes drafting new Internet laws.

Since China has 1.3 billion potential consumers, U.S. businesses have reason to be interested in the process. New legislation could impact the way the Chinese access information online and how they engage in electronic business.

"Globalization has just come crashing in on China," said Drew Thompson, a China expert at the Center for Strategic and International Studies, a Washington, D.C., think tank.

To meet World Trade Organization regulations, China is studying other countries' legal systems -- particularly Western ones, Thompson says.

There are numerous laws in the works.

"The legal system is playing catch-up to deal with issues such as the Internet, data protection, privacy, consumer credit information and intellectual property," Thompson said.

It's going to take time. For one thing, the Chinese government's control of the Internet and restriction of information adds a layer of complication to the process.

In addition to hardware and software controls, China has Internet police that surf the Web and censor unlawful content..

That includes what might be construed as government criticism and topics deemed politically troublesome, such as Tibet, Taiwan and the religious group Falun Gong, Thompson says.

Some legislation affecting business is expected to come out of the National People's Congress, which meets the first week of March.

But U.S. companies shouldn't expect government guidelines aimed at Internet privacy before next year at the absolute earliest, says Beijing-based attorney Jun Wei.

"It's only a wild guess," Wei said.

A partner of U.S. law firm Hogan & Hartson, Wei works with major Chinese companies. She represents and advises several Chinese government agencies.

Wei agrees that revision of China's legal system is an idea whose time has come.

There are large gaps in the current codes that leave businesses guessing, she says.

"Either there was no such law before or the law was so outdated because society has changed so much and is still changing," Wei said.

China is making a serious effort to fix things, though.

"The Chinese government has as its official policy developing a legal system meeting international standards," said academic and author **George Haley**.

The current system is one of sometimes arbitrary and conflicting control by various governmental jurisdictions, according to Haley, an international business professor at University of New Haven in West Haven, Conn.

Changing it is a big job.

"Even the most optimistic estimate is that it will take five years," Haley said.

Management consultants have recommendations for capitalists wanting a piece of the market in the meantime.

"When U.S. businesses are looking to offshore business processes to China, they should consider mainly lower-level activities," said Andrea Bierce of the management consulting firm A.T. Kearney.

Call centers and collection agencies are two examples, says Bierce, a New York-based vice president.

And when those businesses venture into China, they should consider setting up their operation with made-in-America policies, procedures and Internet privacy safeguards.

"We see companies going more in that direction rather than outsourcing to Chinese companies," Bierce said.

Another trend is for U.S. companies to hook up with large U.S. outsourcers already doing business in China such as Accenture, IBM and Electronic Data Systems, she says.

Management consultants aren't the only ones answering questions about doing business in China.

American companies seeking advice on operating there often seek out Chicago investment banker Siva Yam, president of the U.S.-China Chamber of Commerce.

He encourages them to avoid politics and focus on doing business. But, he adds, economic development will eventually alter the political system.

That will include the government granting more freedom -- including in cyberspace..

"They cannot control the Internet or information flow in such a way that it will choke the economy," Yam said.

But there's another issue that supersedes any discussion of the changing legal system, he says.

"It is not whether they have the law," Yam said, "it is a question of enforcement..

A year ago, in a visit to a Chinese factory using dangerous acidic chemicals, Yam saw signs ordering workers to wear rubber-soled shoes.

The signs were ignored and almost everyone wore open-toed sandals. "Every factory is like that," Yam said. And, he says, other businesses work the same way.

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