

Development and Difficulties in Building China's Social Credit System

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I. Features of China's Social Credit System

- **Multiple Purposes**
- **Extensive Coverage**
- **Various Sources of Credit Information**

Multiple Purposes

- **Credit management in foreign countries aims at preventing risks in debt repayment and financial credit.**
- **Apart from the above, China's credit system seeks to achieve multiple purposes in economic and social areas such as cracking down on fake goods, tax evasion, contract breach, IPR infringement, commercial fraud, false accounting, fraud in bidding and tendering activities and low-quality construction.**

Extensive Coverage

- **The scope of credit management in foreign countries is limited to financial and trade areas, usually excluding the moral aspect.**
- **Besides economic aspect, China's social credit system is a comprehensive system supported by ethics, based on property rights and guaranteed by rule of law, covering ethical restraint, public administration and legal system.**

Various Sources of Credit Information

- Credit information in foreign countries is closely linked to paying ability such as credit, creditor's rights, liability, mortgage and guarantee, bankruptcy and litigation.
- Corresponding to multiple purposes, China's credit information includes more extensive economic and social areas, such as credit, taxation, contract compliance, product quality and laws and regulations violation.

II. Progress Made in Building National Social Credit System

- Local governments regard credit system building as a crucial measure to improve investment climate, regulate the market and promoting economic and social development
- Information systems of all government agencies are improving and categorized supervision of credit is taking shape
- Advancement in corporate credit building
- Credit campaigns are launched and credit awareness is enhanced
- Credit service market is emerging as a new industry
- Legal and standardization systems for credit are further strengthened

III. Commercial Credit Building Pushed Forward by MOFCOM

- **Progress made in building commercial credit information system**
- **Launch anti-commercial fraud website to serve enterprises and consumers**
- **Build credit systems of trade associations**

1. Progress Made in Building Commercial Credit Information System

- ***Administrative Measures for the Credit Information in the Commercial Field*** was promulgated, standardizing the collection, releasing and sharing of negative information on administrative license and regulation violation.

Credit information system in commercial field has been launched (www.creditsys.gov.cn) Since July, 2007, a data base of over 700,000 enterprises has been established covering information on records of enterprises engaged in foreign trade, international shipping leasing, annual joint inspection of foreign-invested enterprises, management of aid to foreign countries and set projects, overseas investment, foreign labor service, foreign construction contracting, technology export and import management, international bidding and tendering for mechanical and electronic products, administration of refined and crude oil markets, auctions, pawn and second-hand car market administration

2. Launch anti-commercial fraud website to serve enterprises and consumers

Functions

Provide service in counseling, complaint and reporting

Release warnings to prevent commercial fraud

Hold monthly on-line Credit Forum

Strengthen anti-commercial fraud campaigns

Website Visits

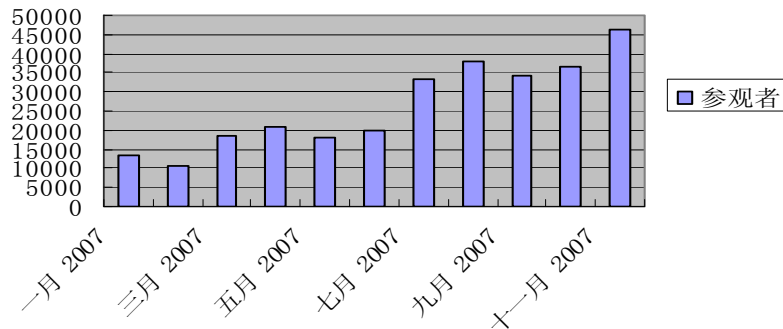
Officially launched at CCTV Gala on
March 15th, 2006

10.47 million clicks in September, 2007
according to Information Bureau

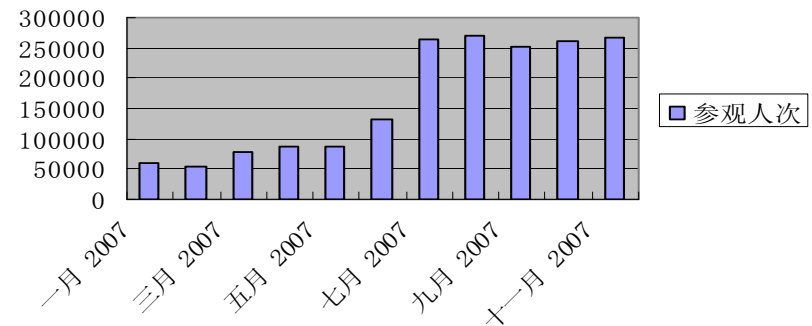
Ranking 2nd and 1st in Sept. and Oct.
among the 97 sub-websites of MOFCOM

11.78 million clicks in Nov. with the
highest single day of 1 million clicks

Visitors

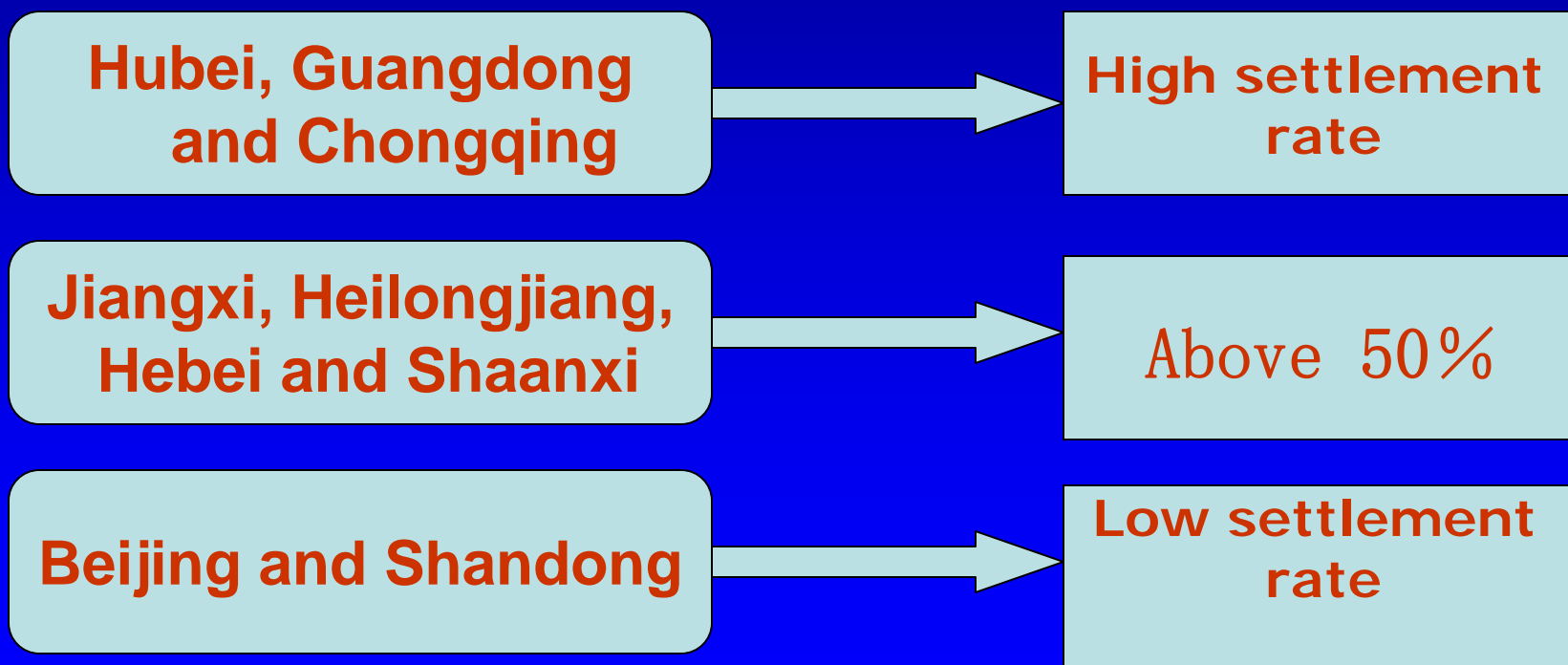


Visits Received



Settlement of Complaints

By December 13th, 2007, 489 cases are transferred. 131 cases are responded. 51 are in progress. 83 are settled with a settlement rate of 16.97%



3. Build credit systems of trade associations

- As an important part of social credit systems, credit systems for trade associations include credit campaigns involving member enterprises, building of industry credit system, credit information service, industry credit evaluation and training on credit risk management.
- Currently, 44 national associations have launched credit evaluation and over ten associations have released the first batch of credit evaluation results, including CCCME, CCCMC, CIFA, CFIA and CTDA. The preparation work for the second batch of pilot programs is under way.
- In late 2005, along with SASAC, NORSMEO released Opinions Concerning the Building of Credit System for Trade Associations. At present, great progress has been made in pilot programs for credit evaluation, which aims at offering scientific and fair credit assessment, guiding members in credit management and helping trustworthy enterprises grow stronger guaranteed by the credibility of trade associations on the basis of voluntary participation, openness, transparency and not for profit.

IV. Difficulties in Credit System Building

- **Inaccessibility of information and lack of extensive and open credit information networks**
- **Underdeveloped corporate credit risk prevention system and management tools**
- **Sluggish development and irregular operation in credit service market**

1. Inaccessibility of information and lack of extensive and open credit information networks

- Currently, many government agencies have established internal vertical credit information systems to conduct categorized supervision.
- Local governments, trade associations and enterprises have amassed a lot of credit information. However, there is a lack of information sharing system among governments agencies, between central and local governments, governments and trade associations, trade associations and enterprises.
- A comprehensive social credit network is hard to build with the separated information systems.

2. Underdeveloped corporate credit risk prevention system and management tools

- Most domestic enterprises have no credit risk management organs and systems.
- Credit management is limited to credit investigation and management based on experience.
- According to questionnaire, 69% of domestic enterprises gain information about competitors through trade associations, 66% through word of mouth, 53% through media(newspapers, magazines, internet and TV), 34% through government authorities and only 13% through credit evaluation and auditing institutions.

3. Sluggish Development and Irregular Operation in Credit Service Market

- There is a lack of both supply and demand in China's credit service market. On the one hand, credit risk awareness is weak among the government, enterprises and individuals. Credit management system is imperfect and demand for credit service products is insufficient.
- On the other hand, there are few credit service institutions and a lack of those with good reputation, competitiveness and large market shares.
- China still lags behind other countries in terms of scale, technology and business expansion of credit service institutions.
- The supply of credit products is inadequate.

V. Future Priorities in Building Credit System

- Formulate plans for credit building
- Promote credit information release and sharing
- Build legal and industrial standards systems for credit
- Launch credit campaigns
- Establish award and punishment mechanism according to credit standing
- Give full play to various players

Thank you !

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