



**Asia-Pacific
Economic Cooperation**

2012/SOM1/ECSG/DPS/007

Agenda Item: 4b

APEC Cross Border Privacy Rules Case Study: China Tea Net

Purpose: Information
Submitted by: China



**Data Privacy Sub-Group Meeting
Moscow, Russia
1 February 2012**

APEC Cross Border Privacy Rules Case Study: China Tea Net

I. Background

China Tea Net (www.chaduo.com) is a cooperative website between the China International Electronic Commerce Center, *China Tea Capital Group* and the China Tea Marketing Association. On November 14, 2010, Vice Minister of Commerce Yaoping Jiang and Vice Governor Shuangyu Ye were attended the opening ceremony, when the website was officially put into operation. To date, China Tea Net has 1,860 on-line shops. Its average number of on-line orders is 30,000 per month and its total trading volume reaches RMB ¥9 million per month.

This report will provide an overview of:

- The China International Electronic Commerce Center (CIECC)
- The China Tea Marketing Association;
- The China Tea Capital Group;
- The structure of China Tea Net;
- The Asia Pacific Economic Cooperation's Cross Border Privacy Rules (CBPR) system, including the potential benefits to China Tea Net of CBPR certification and;
- Possible further capacity-building efforts.

About China International Electronic Commerce Center (CIECC)

The China International Electronic Commerce Center (CIECC) are the actuators and technical support unit for the informatization construction of the Ministry of Commerce, undertaking the national mission of promoting rural, urban and international electronic commerce as well as the important mission of international cooperation and exchanges regarding national electronic commerce. CIECC operates the most authoritative national system of interactive digital information service, the national platform of third party trading service.

About the China Tea Marketing Association

China Tea Marketing Association is a national organization, comprised of different regions, departments, and ownerships. The China Tea Marketing Association, coordinates and manages organization of the tea industry.

About the China Tea Capital Group

The China Tea Capital Group is located in a region famous for producing Chinese Tea. This location gives it a price competitive advantage. The China Tea Capital Group has adopted a geographical indication system to help consumers to easily identify authentic Tieguanyin tea. The China Tea Capital Group has 1,860 physical shops.

II. Overview of China tea Net

Technical Structure

China Tea Net uses PHP language (PHP: Hypertext Preprocessor), PHP is a kind of HTML embedded language, similar with PHP and ASP of Microsoft. Both are scripting languages executed on the server, embedded in HTML document. Their language style is like the 'C' language. It is now widely chosen by website programming personnel. Compared with CGI and Perl, PHP can more quickly execute dynamic web pages and improve web page loading speed. The type of database is MYSQL. At present, the website has two servers; a web application server and a database server.

WebsiteFunctions

China Tea Net has most key functions of third-party B2C (business to consumer) websites, including: e-shop management, membership management, data analysis and e-shop decoration. China Tea Net offers varied ways of management, demonstration and promotion for customers, so as to meet

customers' different requirements.

III. Website Business Model

Original Intention of Setting up the Website

In China, there are very few professional tea websites. Most people sell Chinese tea either via QQ, MSN, or on-line shops at some B 2C websites. The main disadvantage of selling tea this way is the lack of quality guarantee, and the price and quality can not be matched. In order to regulate the Anxi tea market and to offer a trust-worthy third-party website, CIECC, China Tea Marketing Association and China Tea Capital Group established China Tea Trading Website.

Marketing Mission

As an official Chinese tea electronic commercial platform, China Tea Net aims to become a well-known trading website which offers a whole process of services. In the light of this mission, China Tea Net identified the practice of "three Fives": "five entities, five platforms and five specialized areas".

"*Five entities*" refers to An Xi China Tea Co. Ltd, electronic commerce incubation base, price control center, quality control center and logistics distribution center. Among them, An Xi China Tea Co. Ltd is the foundation of "three five", which is also the fundamental base for constructing the China Tea Net. Providing an electronic commerce incubation base is the core value of the website;

In August, 2011, China Tea Net introduced the third-party price control and quality control services for the first time. Price Control and quality control are the two key competitive goals of the website. These two services are carried out by the national tea quality supervision and inspection center (fu Jian), which is a fair and authoritative examination organization. In April, 2011, a logistics distribution center formally put into use.

"*Five platforms*", refers to the 'Farmer to Consumer' (F2C) trading platform, the B2B trading platform, the Integral exchange platform, the public information platform and the convenient service platform.

Among them, the F2C trading platform is the Chinese version of China Tea Net which offers services to Chinese customers; the B2B trading platform is the English version of China Tea Net, which offers service to overseas customers. The Integral redemption platform connects with the banking system in order to promote sales; the public information platform focuses on promoting Chinese tea culture, as well as publishing policies and regulations regarding Chinese tea. The benefits of CBPR certification are most directly relevant to the activities of the B2B trading platform as this is the platform dedicated to international sales.

The Facilitation service platform meets the service requirements of Internet users, providing Q&A service, entertainment services, etc so as to widely attract the attention of all kinds and levels of Internet users.

"*Five special Areas*" refers to tea farmers direct business Area; branded retail stores Area; consumer cooperative Area; Chinese Taipei Area; and group buying Area. Among them, tea farmers direct business area has 1,860 real stores of China tea capital. This also leads to the key business model of China Tea Net. Farmers and consumers can trade directly with any middle man.

China Tea Net's Key Values

- **Authoritative:** CIECC of Ministry of Commerce, Communication Association of Chinese tea, China tea group; together these three parties cooperate in internet technology, E-commerce operating, tea industry and market in original place of tea. China tea net is the authoritative E-commerce platform in tea industry to date.
- **F2C Model:** This model provides services directly to millions of tea farmers, expands tea farmers' sales channels, helps farmers to sale directly to the market, lessening the operating cost, improving farmers' revenue.

- **Consumer Right Protections and Industrial Supervision:** For online Chinese tea shops, quality and price are the two most important factors. The price center and quality center are two key services offered by national authoritative organizations, to make sure the quality matches the price. Consumers right can be well protected.
- **English Platform:** In order to cater to the needs of international market, China tea net has built English platform, en.chaduo.com, which has opened another door for the export of tea.

IV. CBPRs: Facilitating an International Market Presence

In order to fully harness the internet's potential to deliver a global consumer base, China Tea Net works to promote the trust and confidence of potential customers. Clearly indicating that they make use of policies and procedures in place that are consistent with the globally-accepted standards such as those embodied in the APEC Privacy Framework can provide China Tea Net the opportunity to further promote such trust.

The APEC Privacy Framework

In November 2004, APEC Economies endorsed the APEC Privacy Framework. The Framework is a set of nine guiding principles and guidance on implementation to assist APEC Economies in developing consistent domestic approaches to personal information privacy protections¹. The main purposes of the Framework are to:

- 1) develop appropriate privacy protections for personal information, particularly from the harmful consequences of unwanted intrusions and the misuse of personal information;
- 2) enable global organizations that collect, access, use or process data in APEC Economies to develop and implement uniform approaches within their organizations for global access to and use of personal information;
- 3) assist enforcement agencies in fulfilling their mandate to protect information privacy; and
- 4) advance international mechanisms to promote and enforce information privacy and to maintain the continuity of information flows among APEC economies and with their trading partners.

In addition to these Principles, the Privacy Framework calls for the development of a system of voluntary cross-border privacy rules for the APEC region in its "Guidance for International Implementation".

The Data Privacy Pathfinder

APEC Ministers endorsed the APEC Data Privacy Pathfinder in September, 2007. An APEC Pathfinder is a cooperative project among participating APEC Economies. The purpose of the Data Privacy Pathfinder was to develop a simple and transparent system that can be used by organizations for the protection of personal information that moves across APEC Economies, such as that collected by China Tea Net via en.chaduo.com. The Pathfinder set out to develop a voluntary APEC Cross-Border Privacy Rules (CBPR) System through the development of the following documents:

- a self-assessment questionnaire based on the nine APEC Privacy Principles for use by an applicant organization;
- a set of baseline program requirements based on the nine APEC Privacy Principles against which an APEC-recognized Accountability Agent will assess an organization's completed questionnaire;

¹ The APEC principles are: Preventing Harm; Notice; Use; Collection Limitation; Choice; Security Safeguards; Integrity; Access and Correction; and Accountability.

- recognition criteria to be used by APEC Economies when considering the recognition of an Accountability Agent;
- the Cross Border Privacy Enforcement Arrangement; and
- the Charter of the Cross Border Privacy Rules Joint Oversight Panel.

The documents that make up the CBPR System were completed in 2011. The CBPR System was formally endorsed by Leaders in the November 2011 Honolulu Declaration where they agreed to “[i]mplement the APEC Cross Border Privacy Rules System to reduce barriers to information flows, enhance consumer privacy, and promote interoperability across regional data privacy regimes.”

CBPRs in Practice

Interested organizations begin their CBPR certification process by completing a self-assessment questionnaire. This document allows an applicant organization to compare its data privacy policies and practices against the APEC Privacy Framework. This questionnaire will then be provided to an APEC-recognized Accountability Agent, for independent review. This questionnaire can be supplemented by additional questions, documentation or requests for clarification as part of the APEC-recognized Accountability Agent’s review process. An organization that is found to be compliant with the CBPR program requirements by an APEC-recognized Accountability Agent will be certified as CBPR compliant and will have relevant details of their certification published in an APEC-hosted website and may also publicize this certification on their website. This publication allows consumers and other stakeholders to be made aware that the organization is an active participant in the CBPR System. This publicity may be of particular value to China Tea Net as it seeks to further foster consumer confidence and expand its international consumer base.

Accountability Agents

In the context of the CBPR System, an Accountability Agent is a public or private sector entity that performs third-party reviews of an organization’s answers to the self-assessment questionnaire. Any Accountability Agent should meet the established recognition criteria to the satisfaction of APEC Economies to become an APEC-recognized. These criteria establish baseline requirements for an Accountability Agent in the following areas:

- Program requirements;
- Dispute resolution procedures;
- Procedures to avoid conflicts of interest;
- Certification and re-certification processes;
- Monitoring and compliance reviews processes, and;
- Enforceability of program requirements.

When reviewing an organization’s privacy policies and practices as described in the self-assessment questionnaire, an APEC-recognized Accountability Agent should assess them against the CBPR program requirements. While an APEC-recognized Accountability Agent’s assessment process may exceed this standard, it may not fall below it. Where an Accountability Agent intends to make use of its own questionnaire and/or program requirements in lieu of the APEC-recognized self-assessment questionnaire and/or the APEC-recognized CBPR program requirements, it must establish its comparability to the satisfaction of APEC Economies as a condition of APEC recognition.

Further Capacity Building Opportunity (1): Consideration of which entities might serve as an Accountability Agent and how their program requirements meet the established CBPR baseline.

How Are CBPRs Enforced?

Every certification in the CBPR system must be enforceable. APEC member economies determined that this enforceability should be through both Accountability Agents and Privacy Enforcement Authorities (those public entities that enforce laws or regulations that have the effect of implementing the APEC Privacy Framework). Accountability Agents should be able to enforce the CBPR program requirements through law or contract. Privacy Enforcement Authorities should have the ability to take

enforcement actions under applicable domestic laws and regulations that have the effect of protecting personal information consistent with the CBPR program requirements.

Any Economy interested in participating in the CBPR system must first participate in the Cross Border Privacy Enforcement Arrangement (CPEA). The CPEA establishes that an Economy has a law in place “the enforcement of which, has the effect of implementing the APEC Privacy Framework.” The CPEA commenced on 16 July 2010, aims to:

- facilitate information sharing among Privacy Enforcement Authorities (PE Authorities) in APEC Economies (which may include Privacy Commissioners’ Offices, Data Protection Authorities or Consumer Protection Authorities that enforce Privacy Laws);
- provide mechanisms to promote effective cross-border cooperation between authorities in the enforcement of CBPR program requirements and privacy laws generally, including through referrals of matters and through parallel or joint investigations or enforcement actions; and
- encourage information sharing and cooperation on privacy investigation and enforcement with PE Authorities outside APEC (including by ensuring that the CPEA can work seamlessly with similar arrangements in other regions and at the global level).

The CPEA defines ‘Privacy Enforcement Authority’ as any public body that is responsible for enforcing Privacy Law and that has powers to conduct investigations or pursue enforcement proceedings. ‘Privacy Law’ is then defined as laws and regulations of an APEC Economy, the enforcement of which have the effect of protecting personal information consistent with the APEC Privacy Framework. The Privacy Enforcement Authority must be able to review a CBPR complaint/issue if it cannot be resolved by the participating organization in the first instance or by the Accountability Agent and when appropriate, investigate and take enforcement action.

The CPEA retains the Privacy Enforcement Authority’s discretion as to whether or not to deal with a Request for Assistance made by another Privacy Enforcement Authority. This is a completely voluntary arrangement.

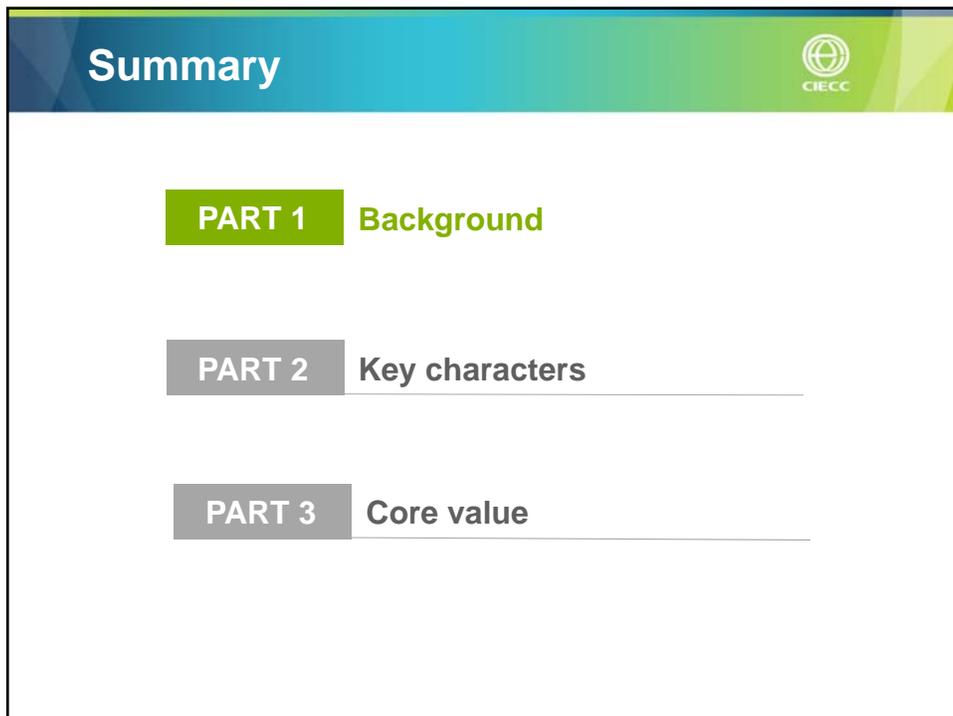
Further Capacity Building Opportunity (2): Consideration of which entities might serve as PE Authorities and how the laws and regulations they enforce have the effect of protecting personal information consistent with the APEC Privacy Framework.

V. Possible Next Steps

In order to for China Tea Net to receive CBPR certification and the benefits such certification would afford, it is recommended that Phase II of this project give particular focus be to capacity building in two areas:

- Further exploration of possible Accountability Agents located in China and an assessment of their privacy seal programs against the baseline standards established in the CBPR system, and;
- An examination of the ways in which the baseline program requirements of the CBPR system could be made enforceable in China and identification of the appropriate regulator(s) to participate in the Cross Border Privacy Rules System.

It is recommended that these issues be considered at the 5th annual APEC Electronic Business Alliance (APEC-ECBA) meeting to be held in China later this year.



I . Background



Who is China Tea Net?

- China Tea Net was launched on Nov. 2010
- It is an specialized e-commerce platform for Chinese tea
- Till now, its average number of on-line orders is 30,000 per month and total trading volume reaches RMB ¥9 millions (US\$1.5million) per month;

I . Background



- Anxi(Fujian Province, South China): China Tea Net is based in Anxi. Anxi region is very famous for tea producing in china, especially for Tieguanyin. It is the second largest producing area for Tieguanyin in China. In order to promote the tea business, Anxi local government has set up an wholesale market which is called “China Tea Capital Group”. the trading volume rose from 3,800 tons in 2001 to 16,000 tons in 2009. Turnover grew from RMB278 million in 2001 to 1.6 billion in 2009.
- With the fast development of e-commerce in China and the mature of traditional market, Anxi government encouraged China Tea Capital group to develop the business from pure offline business module to online.
- Therefore, China Tea Capital Group invited China International e-commerce Center and China Tea Marketing Association jointly founded “ China Tea Net”.

I . Background- Three Stakeholders



- **1.China International E-Commerce Center**

CIECC is the technical support entity for the informatization construction of Ministry of Commerce of P. R. China. CIECC is also responsible for constructing, operating and maintaining the country's key e-government and e-trade projects. CIECC provides the most advanced IT service for china tea net.

I . Background- Three Stakeholders



- **2.China Tea Marketing Association**

China Tea Marketing Association (CTMA) is a national association and a cross-region, cross-sector and cross-ownership group. CTMA plays an important role as an service provider, coordinator for china tea industry. It has 732 corporate members and 641 individual members which located in the major tea producing areas around China. CTMA will contribute to the China Tea Net's exploitation of the origin market.



I . Background- Three Stakeholders



China Tea Marketing Association is a national organization, a folk economic group of different regions, departments and ownerships. It's a service, coordination and management organization of tea industry.

合作伙伴

更多>>



I . Background- Three Stakeholders



3. China Tea Capital Group

China Tea Capital Group is located in Quanzhou where China Tea Net is based. It is responsible for marketing and business operation of China Tea Net. China Tea Capital Group has also adopted geo-geographical indication system to help consumers to easily identify the authentic Tieguanyin and avoid being cheated. China Tea Capital Group has 1,860 physical shops in the wholesale market. Those shops are all from Anxi with price advantage; China Tea Capital group contributes to the key business value of China Tea Net, including price, the authentic suppliers; etc



II .Key characters



Key characters

China Tea Net aims to build up as a well-known trading website for both domestic and international customers. In the light of this mission, China Tea Net initiated the practice of "five entities, five channels ".

II .Key characters



Five Entities

“Five entities” refers to Anxi chinese tea wholesale market, electronic commerce incubation base, price control center, quality control center and logistics distribution center.

II .Key characters



Five channels

"Five channels", refers to F2C channel, B2B trading channel, Buyers rewards points channel, public information channel and user-friendly service channel. Among them, F2C trading platform is the Chinese version of the china tea net which offers service to Chinese customers; B2B trading platform is the English version of the china tea net which offers service to overseas customers.

III. Core value



1. Cutting-edge and user-friendly technology

Technical innovation plays a key role in cultivating and elevating the core competitiveness of E-commerce platform.

The China Tea Net continuously innovates its technology on the price enquiry system, order system, marketing management system, member management system, online shop management system and so on, which not only improved users' online shopping experiences and the operation efficiency of China Tea Net, but also attracted a great number of customers to this website, enabling it to get ahead in the fierce competition of E-Commerce business.



III. Core value



2. Combination of On-line Shops With Physical Shops

The access requirements of the online shop are strict. Only owners who has already had a physical shop in the wholesale market can apply for ID to register online. , in order to protect the on-line consumer's rights in term of original, quality etc.

III. Core value



3. Price–guidance service

- Buyers can choose this service when shopping on China Tea Net;
- If buyers ask for this service, the seller need to send the samples (7g/pot, total 2 pots) of the order to the price guide service center.
- After receiving the tea samples, the center will evaluate if the selling price is in conformity with the quality. If not, the order will be cancelled;

III. Core value



4. Quality inspection service

- Buyers can choose this quality inspection service which is carried out by Fujian Tea Product Quality Test Center. This is a government agency who is responsible for tea quality control.
- After receiving the order, the seller must send the tea and samples to the quality inspection center.
- If the produce is qualified, the order will be released and the tea will be packed and sent to the logistics distribution center.

III. Core value



5. Unified package, Unified logistic distribution

The produce which passes the price evaluation and quality inspection will be unified package on the spot and sent to the authorized logistics companies.

