



Standard Strategy, Government Lead

--Fair-play should be postponed

Hu Caiyong, CEO

Beijing Red Flag Chinese 2000 Software Technology Co. Ltd.

April 18, 2007



- 1. The environment for independent innovation should be constructed by government.**
- 2. Open source software is basis for development of China's basic software.**
- 3. National standards are the platform for fair competition.**





- ◆ Company name: Beijing Red Flag Chinese 2000 Software Technology Co. Ltd.
- ◆ Founder: Sun Yufang, Researcher; Planed in July 1999 and Established in December 2000.
- ◆ Technical team and technical basis initiated from the Software Institute of China Academy of Science. There are nearly 300 employees now and will have 500 employees in 2007.
- ◆ Based on open source software — OpenOffice, and dedicated to the research and development of domestic office package software and office application solutions.
- ◆ As the leading office package software vendor, since governmental procurement started in November 2004, RedOffice has won public bidding among over 200 governmental procurement projects and the market dominance ranks first among domestic office package software
- ◆ Complete technical support, training and post-sales service system have been established;
- ◆ The company has ever undertaken state and local sponsored scientific research projects and application projects





Compared with similar software, our biggest advantages lie in:

- The OpenOffice based on open source software has been completely integrated into competition strategy of open source community OpenOffice.org. This makes it unnecessary for us to develop functions similar to that of Microsoft and directly set foot on domestic market in order to develop functions with unique features; we can conduct innovation on the shoulders of giants;
- The Chinese Enterprise Dynamic has a nationwide sales network with over 80 branch companies and over 6000 sales people.





.Under the condition that domestic software has achieved preliminary progress on market, if we would like to achieve fundamental breakthrough, from a wider perspective, government needs to create an excellent environment for independent innovation;

.Enterprise itself must emancipate mind and be bold in breaking the existing thinking mode so as to provide domestic consumers with innovative products with local characteristics.





- **In the context of WTO, government should take more active measures to safeguard fair and reasonable competition order and excellent environment for Innovation;**
- **Information technology is critical to national information security. In the context of WTO, we should resort to security exceptional articles for national information security.**





- To establish intellectual property protection system conforming to Chinese characteristic, protecting independent innovation; Avoid resorting to *international usual practice* blindly. A digestion process is needed for *international usual practice*. Guard against some seemingly fair rules, which essentially safeguards the position of the monopoly;
- To establish national standards for all industries and encourage innovation with standards.





- 1. The environment for independent innovation should be constructed by government.**
- 2. Open source software is the basis for the development of Chinese basic software.**
- 3. National standards are the platform for fair competition.**





- **Open source software is the gift to the whole humankind from open source community and will be an opportunity for developing Chinese domestic software;**
- **Open source software has been widely used in commercial circles worldwide, and has been extensively adopted by all governments, enterprises and institutions;**
- **Without open source software, there will be no Chinese basic software, including operating system, database, middleware, Office and other common application software. Most of them are developed on the basis of open source software.**





.With the advantage of cross-operating system, domestic software, based on open source software, get the competitive position in the fierce competition. We can say that without open source software, there will be no prosperous development of Chinese basic software. Open source software has been widely adopted in Chinese software industry. And this adoption will be more and more deepened.

.Open source software is cheap, which greatly reduces the expense of informationization (with the trend of legal copy). Many system integration company also participate in development of open source software, which reduces cost of solutions and improves profits and competitiveness.





.Domestic software based on open source software achieved remarkable results over the last several years. In 2004, Chinese government greatly advocates procurement of legal copy software. Domestic software obtained some market shares. Therefore, foreign software is forced to reduce their prices. According to official statistics, expense of at least RMB 800 million was saved.

.Open source software makes Chinese domestic basic software vendors rapidly enter the marketplace and ended the monopolistic position of trans-national companies, which not only promoted the rapid development of domestic software, but also protected the economic interests of government and consumers.





- 1. The environment for independent innovation should be constructed by government.**
- 2. Open source software is basis for development of China's basic software.**
- 3. National standards are the platform for fair competition.**





.Domestic basic software directly faces the competition of foreign monopolistic products. This is the products accepted by extensive consumers through pirating market;

.In the eye of general public, our products don't have innovativeness naturally, and only as a substitute products. Because our primary task is to be forced to be compatible with a closed document format;

.The standard of closed document format is the most important tool for monopoly to control consumers and block competition.





SCITO, SAC, MII, MOST, NDRC and other governmental agencies attached great importance to the establishment of self-controlled standard of Chinese office document format. In 2002, led by CESI , Beijing Information Engineering College, Software Institute of Chinese Science Academy, Red Flag Chinese 2000, Kingsoft, Evermore etc jointly participated in the working group for the basic standard of Chinese office software, *The Chinese Office Software Document Format Standard* (UOF). Through unremitting efforts of over five years, UOF has been accomplished preliminarily and will be formally announced as Chinese National Recommended Standard.





.UOF is the embodiment of information sovereignty. It can protect the ownership of information for government and consumers , and eliminate the potential barrier of closed document format, which is unable to be stored for a long period;

.UOF is one of the important footstones to safeguard national information security. As for documents adopting closed document formats, the information encryption based on document is the same as building a castle on sandpiles.





•UOF will lay solid foundation for safeguarding Chinese cultural traditions. MS Office treats Chinese according to western mode. This doesn't well reflect the characteristics of Chinese characteristics and user habits. Only our own document format standard may have the possibility to accurately reflect the essential characteristics of Chinese culture. Only based on this can the user habit of Chinese language and words processing be naturally reflected in document format standard and take into full account of how to deal with Mongolian, Uigur, Tibetan as well as languages and words of other nationalities.





.Some seemingly fair arguments conceal the ambition of monopoly to maintain their monopolistic position. We should conduct serious analysis on their arguments, such as *standard is decided by market, government cannot be excessively partial.*

.As for industries which we have advantages on, no one say *decided by market* and we are met with anti-dumping sanctions. For example, Chinese textile products sell well around the world for its low price and high quality, and they are mainly targeted on low-end market, not to mention monopoly. However, advanced countries limit quotas and reject their argument *decided by market.*





.In China, basic software is monopolised by some trans-national companies (its importance far exceeds that of textile products). We should not let the monopoly continue and just listen to *decided by market*;

.UOF is related with national great strategic interests. If we just listen to *decided by market*, this will be an irresponsible argument. Under the monopolistic condition by foreign enterprises, if we just depend on free market competition, this will be a nonfeasance act. The essay of *Fair-play should be postponed* by Luxun is still of vital significance for our reference.





- .ODF has been ISO standard in May 2006. Microsoft followed to open document format as OOXML and gave up DOC format. UOF will be announced as national standard soon;**
- .The release of Office 2007 announced DOC will be abandoned. It also indirectly presented that a standard based on a unique enterprise was unreliable;**
- .We must know clearly about the fact that different document formats cannot be precisely compatible. Even the OOXML and DOC of Microsoft cannot be precisely compatible. The existence of multiple standards is unfavourable to the healthy development of the industry and will bring great trouble to consumers.**





- .Chinese government should take advantage of the chaos that several standard exists in the marketplace, with the huge influence of Chinese market, to lead the harmonization of the standards;**
- .We need to promote UOF to integrate with international standard. Meanwhile, we should require international standard to accept the features of Chinese culture and endorse the national standard in the domestic market;**
- .We should take the chance that Microsoft is transforming its technologies and UOF was issued, and pilot domestic software to achieve industrial breakthrough.**





Thank you

