

makes e-commerce a smarter play than search, social networking, or entertainment. "In the U.S., e-commerce is a niche market because most businesses have their own tech staff, run their own websites, and know how to handle credit and payment," he says.

"What you need is something like Google to organize everything and help consumers find what they want." In China, by contrast, fewer than one million of the nation's 42 million small and medium-sized enterprises have any Internet capability. For Alibaba, which offers a full complement of simple and efficient Internet solutions for fledgling ventures, that's an enormous opportunity. "We're almost like a real estate developer," says Ma. "We make sure the space is cleared, the pipes are laid, the utilities work. People can come in and put up their buildings on our site." But Ma's ambitions reach well beyond e-commerce. "If we do this right," he declares, "we have the chance to build a platform that could become the Internet ecosystem for all of China."

## ALIFEST

Parts of that ecosystem were on display in Hangzhou in September, when an estimated 10,000 of Alibaba's best suppliers gathered for Alifest, an annual two-day carnival of speeches, listing tips, sales awards, and schmoozing opportunities. For He Mei, a 24-year-old sales manager, it was a chance to be lionized by Ma during an awards ceremony in Hangzhou's Great Hall of the People. She used Alibaba.com to help her employer, Guangdong Gemacki Appliance, win a contract to supply electric heaters to a large Spanish retailer after Gemacki was dumped by its top Chinese customer. "I'd never heard of this Spanish company," He says. "When they told me how many shipping containers they wanted to buy, I couldn't believe it." Gemacki, which had no export business in 2004, now counts nearly 200 buyers in Europe and the Middle East and is venturing into new product lines like batteries. "You can't imagine how quickly customers find us," He says of Alibaba. "We make sure to update the website every day."

Lucky Le, boss of scooter manufacturer Zhejiang Bifei in Yongkang, not far from Hangzhou, says that last year German buyers were hounding him for shipments of a dirt bike he had designed within hours of posting photos of a prototype on Alibaba. Le expects his 50-man factory, which now cranks out 4,000 of the bikes a month, to ring up sales of about \$8 million this year, nearly double those of 2006. Without Alibaba, he says, "that would have been almost impossible."

It's fitting that Alibaba is headquartered in Hangzhou, the capital of Zhejiang province, where the engine of growth is private enterprise, not state-led investment or mammoth infrastructure projects, and most of the businesses are homegrown, not the prod-

uct of foreign investment. Alibaba's B2B site is the virtual incarnation of Yiwu, the freewheeling boomtown two hours inland that is host to the world's largest wholesale mall, a sprawling maze encompassing more than 50,000 stalls. You'll find someone hawking just about anything there: socks, plastic flowers, drinking straws, sports equipment, bathroom fixtures, and Christmas ornaments. Ma styles Alibaba as the champion of small proprietors. "Alibaba wants to help small and medium companies grow," he says. "They are the future, the next wave of China's growth."

Ma may be the world's least likely Internet billionaire. At 43, he is revered as the

"grandfather of the Chinese Internet"—although he says he never heard of the World Wide Web until 1994. A former Red Guard turned language instructor, Ma polished his English guiding foreign tourists around the shores of Hangzhou's West Lake. He lectured at a teachers' college and, in 1995, established China Pages, an online directory that is generally recognized as China's first Internet-based company. That venture, hobbled by a fractious partnership with one of China's state-owned companies, never got off the ground. Ma worked briefly for a government-controlled company, then launched Alibaba from his Hangzhou apartment in 1999.

Over the years, Ma has said that the catalyst for his interest in

the Internet was a 1995 visit to the U.S. He had been dispatched to California by a government entity to settle a dispute between a Chinese firm and a U.S. partner. When Ma called on the partner at his Malibu mansion, or so the story goes, the man brandished a gun and locked Ma in his house for two days. Ma talked his way out of the situation by agreeing to become the man's partner in an Internet startup in China, even though he had no idea how the Internet worked.

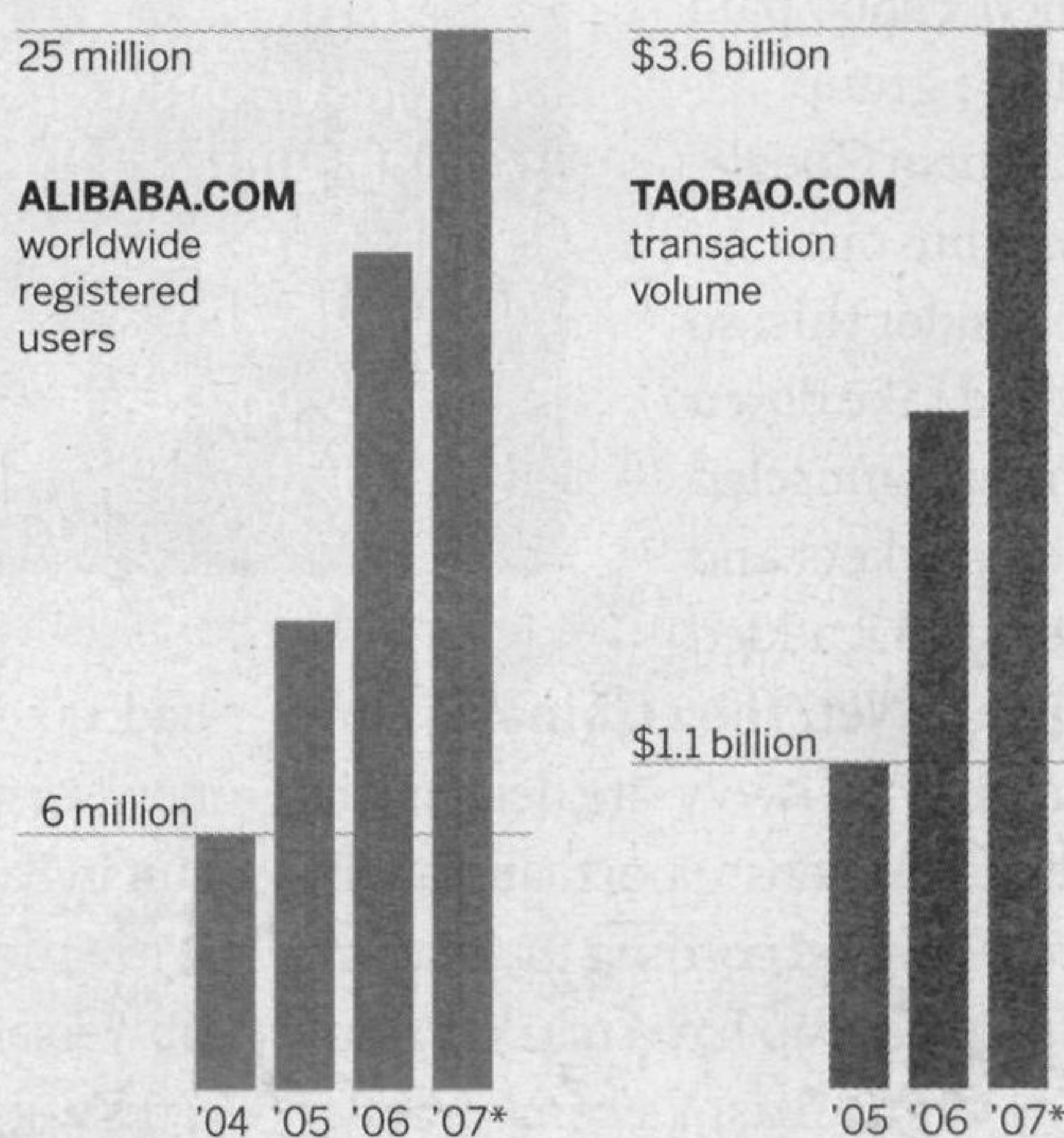
Ma refuses to elaborate on the incident other than to describe it as a "terrible experience." But he talks readily about what hap-



**BIRTHPLACE** THE APARTMENT FROM WHICH MA LAUNCHED ALIBABA.COM IN 1999 IS NOW USED AS AN INCUBATOR. ABOVE: EMPLOYEES WORKING ON A STARTUP CALLED ALIMAMA.

## ONLINE GROWTH

*Alibaba.com and Taobao.com have both tripled their business in recent years.*



\*As of 9/30

SOURCE: ALIBABA