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THE CHINESE INTERNET: UNSHARED DESTINY

Jeremy Goldkorn

UNDER XI JINPING, the party-state is reinforcing and extending the walls around the Chinese Internet. In early 2014, Xi assumed leadership of the newly formed Central Internet Security and Informatisation Leading Small Group 中央网络安全和信息化领导小组, whose members include Premier Li Keqiang and Liu Yunshan 刘云山, former director of the Party's Department of Publicity (formerly Propaganda). In a report published on 27 February 2014, Xinhua News Agency quotes Xi as saying that China should 'strive to become a cyber power'.

Image: Robin Li spruiking 'cloud computing'
Source: tizenindonesia.blogspot.hk

The Garden of Earthly Delights

Let's imagine that a man, call him Mr Jin, fell asleep in Beijing in 1994 — when only small numbers of people in China were first able to access the Internet — and awoke twenty years later. The year he fell asleep, the most common answer to any enquiry at a Chinese department store was a pre-emptive '*meiyou*' 没有, literally 'none', or 'whatever it is you want, we don't have it'. If he had the right paperwork or connections and around 20,000 yuan in cash (a fortune at the time), Mr Jin might have had a mobile phone, then called a *dageda* 大哥大, a clunky brick-like object that businessmen and gangsters used ostentatiously in public. But when he woke up in 2014, Mr Jin could easily purchase a smartphone for as little as a few hundred yuan. On his phone or computer screen (a laptop or iPad isn't much more expensive than a mobile), Mr Jin would discover a veritable garden of earthly delights, a shopper's paradise where surly shop assistants had been replaced by scores of websites catering to his every possible desire and need, legal and otherwise.

On Taobao.com or JD.com, for example, with a tap of his finger, Mr Jin could purchase second-hand science fiction novels, Gucci handbags, sex toys, drones, Red Guard armbands from the Cultural Revolution, obscure industrial chemicals, organic vegetables, construction equipment, live baby rats for feeding snakes, or a cat scratch pole that resembles Vladimir Putin.

Mr Jin could also hail a taxi (offering a tip during peak hours to ensure prompt service) with the Didi Dache 嘀嘀打车 app on his mobile phone, pay for a Dairy Queen ice cream or send greetings to nearby strangers using WeChat 微信. Some of them might do more than just greet him back: the *Global Times* reported in January that the police had shut down twenty million WeChat accounts offering the services of prostitutes.

Open Sesame

Government statistics from June 2014 estimate that China has 630 million Internet users, around 500 million of whom connect via mobile phones. It is the biggest Internet population in the world. The companies that serve them have become global titans: on 18 September 2014, a company called Alibaba that was founded by the former English teacher and Hangzhou native Jack Ma 马云 listed on the New York Stock Exchange, raising US$21.8 billion from international investors, more than Facebook and General Motors in their initial public offerings.

Even before the initial public offering of shares (IPO), Alibaba was taking in money beyond the wildest dreams of the thieves in the eponymous *Arabian Nights* tale: US$5.5 billion a year in revenue generated by a diverse range of popular services. There is the original English-language website Alibaba.com, which helps Chinese companies sell their wares to international markets; Taobao.com, an online marketplace where individuals can buy and sell, similar to eBay; and Tmall.com, an online store like Amazon. These three services dominate ecommerce in China.

Alibaba also controls Alipay, the biggest online payments firm in China — Paypal, the international leader, is a minor player in China, used mostly by the international customers of Chinese companies. Alibaba owns a large stake in Kuaidi 快递, the second of two dominant smart phone apps for hailing a cab. (Alibaba's rival Tencent, which also owns WeChat, owns more than twenty percent of Didi Dache, mentioned above.) In 2013, Alibaba became the first Chinese Internet company to launch an online wealth management product 理财产品, Yu'ebao 余额宝, which allows people to invest small amounts of money into a fund offering returns of around five percent, more than double the interest rates typically offered by Chinese banks. As of July 2014, Yu'ebao had around 500 billion yuan under management, most of it from individual investors.

Alibaba's listing on the New York Stock Exchange means that China's three biggest and most important Internet companies have all attracted foreign capital. The Chinese Internet industry often refers to this trio as BAT: B for the New York-listed search firm Baidu (often glossed as 'China's Google'), A for Alibaba and T for the Hong Kong-listed Tencent, which made its early fortune in instant messaging and gaming, and now dominates mobile phone use with WeChat. The BATs are global in scale whether measured by market capitalisation, revenues or number of users. With the Chinese Internet population heading for what investors call one billion consumers, the share prices of the BATs have remained high throughout periods of global economic instability.

BATs on the Wing

All three BAT companies plan to invest abroad. Baidu has opened a 'deep learning' (artificial intelligence) lab in Silicon Valley, and hired Andrew Ng, a former Google staffer and leading researcher in artificial intelligence as its chief scientist. The company already operates a search engine in Japan (though it has yet to become a major player there) and has plans for Thai- and Arabic-language search sites, already being tested by small groups of users in Thailand and Egypt.

In early July 2014, Baidu founder and CEO Robin Li 李彦宏 was part of a delegation of 250 Chinese business people accompanying Xi Jinping on a state visit to South Korea. Li gave a speech in which he noted that China and South Korea are two out of only four countries in the world with core search engine technologies, and that China's large Internet market and South Korea's advanced broadband and other infrastructure meant that by working together they could gain a competitive advantage over US companies. Already, Baidu and Samsung work in close co-operation: Samsung Gear uses Baidu voice recognition technology and Samsung mobile users can access Baidu Cloud.

By 17 July, Li was in Brasilia, where Xi Jinping, who happened to be on a state visit to Brazil, and Brazilian president Dilma Rousseff launched Baidu's Portuguese-language service at the Palacio do Planalto by pressing a computer button at the same time.

Tencent, meanwhile, is aggressively marketing WeChat throughout Africa, India, the Middle East, Latin America and Europe. In Africa, they are working in co-operation with Naspers, a South African media company founded nearly a century ago and once a key voice of official South Africa in the apartheid years, but which is now a global corporation with interests in print media, ecommerce and pay TV. Naspers owns a thirty-four percent stake in Tencent. Tencent itself holds ten percent of Digital Sky Technologies or DST, a Russian investment firm that owns significant numbers of shares in Facebook and many other global Internet firms. In 2013, Argentine soccer star Lionel Messi signed on as a celebrity product endorser for WeChat.

Argentine soccer star Lionel Messi is a celebrity product endorser for WeChat

As for Alibaba, it perhaps remains the most ambitious of the BATs. Its founder Jack Ma wrote in a letter to investors that was released with the company's prospectus:

> In the past decade, we measured ourselves by how much we changed China. In the future, we will be judged by how much progress we bring to the world.

Internet Investors and Users: Different Destinies

Not only are the BAT companies globalised in a way that is unique among Chinese industries, but the Internet is the only sector of the economy in which state-owned enterprises have failed to capture any significant market share. By contrast, foreign capital plays a major role. Foreign institutional investors own more than forty-five percent of Baidu. Before the IPO, the largest shareholders in Alibaba were Softbank, a Japanese investment firm with thirty-four percent, and Yahoo with twenty-four percent. South Africa's Naspers is just one of several foreign institutional investors who together own more than half of Tencent.

China places many restrictions on foreign investment in Chinese Internet and media. The major Chinese Internet companies have worked around legal limitations by means of something called a 'Variable Interest Entity' (VIE). This is a legal structure dreamt up in the 1990s when the first wave of Chinese Internet companies, including Sohu, Sina, Baidu and Netease courted investment from the US. Under a VIE agreement, a Hong Kong- or foreign-registered company enters into a contract with a mainland Chinese company that wholly owns the firm's mainland operations. Typically, the founding entrepreneurs and their associates retain ownership in the company, which is bound by contract to return a share of profits to the foreign holding company.

This legal loophole allows foreign capital a large stake in what is supposed to be a protected industry. But it has some paradoxical and strange side effects, as the law also restricts the ability of mainland investors to buy overseas equities. The financial news service Bloomberg published an article titled 'Chinese gripe at being left out of Alibaba IPO' on 15 September 2014. It quoted a disgruntled would-be investor, a retired factory worker called Ms Zhou: 'I'm a little confused about why you can't invest in a Chinese company if you're Chinese,' she said. As the article comments, 'Though Chinese consumers have driven Alibaba's success, they'll largely be left out of the company's stock offering.' At least one securities analyst to whom Bloomberg spoke predicted that this situation will have to change in the future.

If investors abroad can buy shares in Alibaba while Chinese citizens like Ms Zhou cannot, similarly Brazilians, South Koreans, Japanese can use local-language Baidu search engines, while Ms Zhou and her compatriots are blocked from accessing globally popular websites such as Youtube, Facebook and online media such as *The New York Times* (see Information Window 'The Rise of Chinese Internet Finance', p.27). Google famously shut down their mainland search engine in 2010, citing censorship and alleging Chinese government-sponsored hacking.

Chinese Internet companies have flourished in a protected, as well as politically sensitive and highly censored environment. Although they may be popular with foreign investors, Chinese companies have had little success with ordinary Internet and mobile phone users outside of China. While Baidu can claim some significant inroads into the South Korean market, and WeChat is growing in Africa and the Middle East, it is rare to find anyone in the Anglophone world who uses a Chinese Internet service or even recognises brands like WeChat and Baidu.

Sovereignty and Cyberspace

In a report published on 27 February 2014, after having assumed leadership of the newly formed Small Group on Internet security, Xinhua News Agency quotes Xi as saying that China should 'strive to become a cyber power'. But the article also reported the government's worries about Internet-related threats to national security and the control of information on the Internet generally:

Liu Yunshan, a member of a newly formed Small Group on Internet security
Source: news.sohu.com

> Xi called for innovative methods to spread mainstream values and stimulate positive energy while maintaining proper guidance of online opinions in terms of timing, intensity and impact.
>
> 'Cyberspace should be made clean and chipper,' Xi said.
>
> 'No Internet safety means no national security. No informatisation means no modernisation,' Xi said, noting that cyber information flows across countries and steers technology, funding and talents … .
>
> … The meeting was also told that there must be legislative efforts to draft laws and regulations on managing information online, protection of key infrastructure facilities, and cleaning up cyberspace.

Chinese government statements on Internet controls have long cited the two concerns of national security and 'cleaning up' criminal, pornographic, or socially dangerous content. 'Positive energy' 正能量, meanwhile, is one of Xi's favourite terms, and it refers to a concept of civic participation and constructive attitudes (see the *China Story Yearbook 2013: Civilising China*, pp.172–173). In previous years, officials discussed censorship and other controls over the Chinese Internet defensively, implying it was something that all countries did. For example, after Google announced in January 2010 that it was shutting down its servers in China, Xinhua published an article (since deleted but still available on Google's own cache) that quoted Foreign Ministry spokeswoman Jiang Yu 姜瑜 as telling journalists: 'The Internet is open in China, where the government always encourages its development and has created a favorable environment for its healthy development.' The deleted article also reported Jiang saying

The 'Godfather of the Great Firewall', Fang Binxing
Source: zt.dahe.cn

Major Global Websites Blocked in China, by Joanna (Yeejung) Yoon

The Great Firewall, planned and developed in the first few years after the Chinese public began to access the Web in 1995, is a *cordon sanitaire* that prevents unhealthy foreign influences from corrupting the minds of China's Internet users. From the start, it blocked websites run by banned religions and cults, those advocating Tibetan and Taiwan independence and the sites of some Western news organisations. *The New York Times* site, walled out in the 1990s, was back in by 2001, reportedly on the orders of then president Jiang Zemin. In the run up to the 2008 Olympics, the government unblocked a number of sites, some only temporarily.

In 2009, as the role social media played in the Arab Spring led to talk of Facebook and Twitter-led 'revolutions', and riots broke out in Xinjiang (where some advocates of Uyghur independence communicated via Facebook), the Great Firewall blocked Facebook, Youtube and Twitter. Since Google shut down its Chinese search server in 2010, many Google sites and services have been inaccessible. The firewall had previously barred Wikipedia but restored access in 2014 while denying access to dozens of individual articles on topics concerning recent Chinese history.

Investigations into the wealth of the families of party leaders by Bloomberg and *The New York Times* in 2012 resulted in the banning of their websites, while *The Guardian*, *The Wall Street Journal* and Reuters have all seen their websites blocked intermittently over the course of 2013 and 2014. The authorities also deny access to Taiwan- and Hong Kong-based news sites including the *Apple Daily*, *United Daily News*, *Economic Daily News*, *Kinmen Daily News*, *The Sun*, *Oriental Daily News*, *Sing Tao Daily* and *Ming Pao*.

Although it is relatively easy to 'jump over the Great Firewall' 翻墙 by using such technologies as a virtual private network, the vast majority of China's hyperactive Internet users do not use them.

that China, like other countries, regulated the Internet industry in line with its laws.

During Xi Jinping's early tenure, party rhetoric has shifted in favour of the more aggressive promotion of the idea of 'Internet sovereignty', which emphasises the authority of a nation-state to regulate cyberspace in its own unique way. The Xi administration did not coin the term. It first appeared in a government-published White Paper from 2010, which declared: 'Within Chinese territory the Internet is under the jurisdiction of Chinese sovereignty. The Internet sovereignty of China should be respected and protected.'

Lu Wei, the Director of the State Internet Information Office
Source: news.ifeng.com

On 23 June 2014, the *People's Daily* devoted a full-page spread to coverage of a forum titled 'Internet Sovereignty: A topic that cannot be avoided' 网络主权：一个不容回避的议题. The forum involved five scholars articulating and justifying the idea that all countries have the right to decide what information may spread on their own Internets. They complained that the US continued to exercise an unfair amount of power over the functioning of the Internet globally. Among the participants was Fang Binxing 方滨兴, the former president of Beijing Post and Telecommunications University and the 'Godfather of the Great Firewall' (see the *China Story Yearbook 2013: Civilising China*, Information Window 'Fang Binxing and the Great Firewall', p.326).

That same day in London, Lu Wei 鲁炜, the director of the State Internet Information Office (SIIO) and also a member of the Central Internet Security and Informatisation Leading Small Group made a ten-minute speech at the fiftieth public meeting of the Internet Corporation for Assigned Names and Numbers (ICANN), the body that controls Internet domain names, root name servers and protocols that allow computers to 'talk' to one another, enabling the Internet to work. A non-profit organisation founded in the US, until now ICANN has operated under contract to the United States Department of Commerce, as well as under the principle that the global Internet should operate free of government control.

On 14 March 2014, the American government announced that it would relinquish its position in ICANN. It asked the 'multi-stakeholder' group composed of non-profit organisations, pro-free speech groups and websites as well as governments, to come up with a new system for governing the Internet in a way that would keep it free and open. The 23 June meeting in London was the first ICANN had held since the announcement;

Lu was there to ensure China would not miss out on any future opportunities to shape its new regime. Lu, who reportedly oversaw the crackdown on critical discussion of social and political issues on Weibo 微博 that began in 2013 and the subsequent tightening of controls on WeChat (see Information Window 'Major Global Websites Blocked in China', p.117), had a sunny, anodyne message for the group: 'The Internet should be for the benefit of all mankind, to improve the wellbeing for people around the world'. Lu also said 'China has opened its doors to build a shared Internet era with countries around the world.' He used the phrase 'shared Internet' no fewer than five times.

By August, Iran and other stakeholders (whose identities have not been made public) proposed new bylaws that would give government members of ICANN the defining say in its policies. As *The Wall Street Journal* pointed out in an editorial in September, what this means is that: 'Authoritarian governments could for the first time censor the Web globally, not just in their own countries. Russia could get ICANN to withdraw Ukrainian sites. China could engineer the world-wide removal of sites supporting freedom for Hong Kong or Tibet.' While the US Department of Commerce has downplayed concern that the system could be changed to such an extent, *The Wall Street Journal* argued that Obama had 'underestimated the importance of Washington's control in maintaining an open Internet — and the desire among other governments to close the Internet'.

Although Lu did not mention 'Internet sovereignty' in his published speech, he responded to journalists asking about who should control country-level domain names (.cn or .au for example) by saying: 'We should respect every country's Internet sovereignty.' In July, Xi Jinping took up the theme on his visit to Brazil to attend a meeting of the BRICS group — the same visit where he helped launch Baidu's Brazilian search engine. At the BRICS meeting on 17 July, Xi talked about the need for developing countries to tell their stories better in the media. Later, he made a speech to the

National Congress of Brazil calling for 'respect of all countries' cyberspace sovereignty' (*China Daily* translation). Chinese state media reported the remarks on digital sovereignty in the context of the Edward Snowden revelations about National Security Agency surveillance — an issue on which Beijing, Brasilia and many other governments have aligned, suspicious of global surveillance by the American government and wary of the systems Silicon Valley has created that enable intrusive snooping.

Xi's mention of Internet sovereignty at an international forum and its enthusiastic reporting back home entrenches the phrase as a *tifa* 提法 (for more on this term, see Chapter 4 'Destiny's Mixed Metaphors', p.150) that the Chinese government will continue to use in the coming years.

A Destiny Unshared

Internet sovereignty gives the Chinese state the legal language with which to justify any of its digital policies, including censorship of its domestic Internet. If China is free to set its own cyber laws and policies, others have no right to criticise it for censoring websites, journalists or bloggers. The government, which has steadily tightened restrictions on digital expression over the last two years, can claim it is legally justified in doing so.

Internet sovereignty also justifies the blocking of international sites. In fact, much of the discussion of Internet sovereignty in the *People's Daily* focuses on international, cross-border flows of information, the gist being that every country should be able to control these flows like they do for other goods and services (see Information Window 'Major Global Websites Blocked in China', p.117).

Foreign firms are already prohibited from operating Software as a Service, whereby a company rents software stored on a remote server, in the cloud, to clients rather than selling a software package that is installed on the customers' own computers. Although it is not stated explicitly, Internet sovereignty also excuses increased hostility towards and other lim-

Pressed and Ironed, by Joanna (Yeejung) Yoon

China-based correspondents for international news media need to hold a Press Card 常驻记者证 and a 'J1' long-term journalist visa, both of which are issued by the Ministry of Foreign Affairs. Since the 1990s, it has been relatively straightforward for established foreign news organisations to obtain these documents, and the ranks of Beijing- and Shanghai-based correspondents have swelled.

Between 1992 and 2011, the Chinese government expelled only three foreign journalists: Henrik Bork of the German daily *Frankfurter Rundschau* in 1995, accusing Bork of 'aggressive, biased' reporting and, in 1998, Juergen Kremb of Germany's *Der Spiegel* and Yukihisa Nakatsu of Japan's *Yomiuri Shimbun*, alleging that they had illegally obtained state secrets.

Then, in 2012, the ministry denied a visa extension to Melissa Chan of Al Jazeera's English TV channel. Although officials did not explain why, other journalists believed it had to do with a documentary aired by Al Jazeera on slave labour in Chinese jails.

On 29 June 2012, the financial news service Bloomberg published a story titled 'Xi Jinping Millionaire Relations Reveal Fortunes of Elite' on their website; it was blocked within hours of publication. Since then, Bloomberg has been unable to obtain journalist visas for new correspondents despite (according to *The New York Times*) self-censoring further such investigative reports into the financial holdings of Chinese officials and their families. *The Times* itself published a story titled 'Family of Wen Jiabao Holds a Hidden Fortune in China' on 25 October 2012. The Chinese government immediately blocked the paper's website. Correspondents already working for both Bloomberg and *The New York Times* have been able to renew their documents with the exception of the celebrated Chris Buckley, but the ministry has not approved any new ones. In November 2013, Paul Mooney, a veteran China reporter known for his coverage of human rights issues, was denied a visa to work at Reuters' Beijing bureau.

In May 2014, the Foreign Correspondents Club of China, which operates in China without official recognition, issued a report on working conditions for foreign journalists. Their survey of 162 foreign correspondents revealed that eighteen percent had experienced difficulties renewing their press cards or visas, twice as many as in their previous survey at the end of 2011. The report also quotes journalists who describe rough manhandling by plainclothes police, forced meetings with police who threaten not to renew journalists' visas and warn against covering news such as the twenty-fifth anniversary of the 1989 Protest Movement, the detention and telephone harassment of news assistants (who are Chinese nationals) and hacking of journalists' email accounts.

itations on foreign Internet technology firms operating in China. Citing the Snowden leaks and alleged monopolistic practices, various state media and regulators have over the past year accused IBM, Qualcomm, Apple, Symantec, Kapersky Labs, Microsoft and Cisco of violations of Chinese law or threats to China's national security. At a press conference in Beijing on 30 October, the SIIO chief denied knowing if Facebook was blocked in China, but made the policy very clear with a statement reported by Xinhua: 'China has always been hospitable to the outside world, but I can choose who will be a guest in my home'.

One Internet or Many Internets?

On 19 May, US Attorney-General Eric H Holder Jr announced the indictment of five PLA members on charges of hacking to benefit Chinese industry. The Chinese government issued vigorous denials. But with the prominence given to the Snowden revelations in state media and party pronouncements, Internet sovereignty remains a useful concept that has been used to defend Chinese military exploitation of the Internet for both defensive and offensive purposes.

Finally, the concept of Internet sovereignty is a rhetorical tool to build a China-friendly consensus on Internet management at forums such as ICANN, as well as in BRICS, where China has significant influence. Lu Wei and Xi Jinping's itineraries and activities this year suggest that this is on the agenda. Despite Lu Wei's remarks at ICANN about 'one shared Internet', it is possible that the Internet may splinter in order for some governments, including China's, to exert top-down controls over expression and commerce. These trends would not surprise our Mr Jin who woke up in 2014: in this respect, the party-state's approach to regulating media, telecommunications and business has barely changed since he fell asleep in 1994.

The question remains of how the vision of Jack Ma, China's richest man, of a Chinese company changing the online world can coexist with the dreams of Xi Jinping, China's most powerful man, whose Internet concerns seem focused on the grim, brute work of security and stability maintenance. For how much longer will we be able to talk about the Internet in the singular, without having to specify a national identity?

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