China's Suppression of the Internet Industry

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Arguably, China has the world's only internet companies that can match America's in ambition and scope. For some time, the communist state has been miles ahead of the United States in substituting paper money with smartphone payments, thus transforming technology giants into cutting-edge linchpins of the consumer economy.

China's communist leaders have noticed such a degree of influence wielded by technological firms. After all, never in Communist China have private entities like technology giants had such clout over institutions and people's lives.

To keep the internet industry in its place as well as to assert its monopoly on power in the country, the central leadership in Beijing has ordered that China's cyberspace be cordoned off from the World Wide Web.

Moreover, tens of thousands of censors monitor China's internet industry and subject it to stringent controls on the collection, storing, and sharing of data. The communist regime has unveiled a campaign to repress unapproved connections, such as virtual private network (VPN) services, that permit users to go around restrictions known as the Great Firewall.

In 2017, China's Ministry of Industry and Information Technology announced on its website that it was introducing a nationwide purging campaign targeted at internet service providers (ISP), internet data center (IDC), and content delivery network (CDN) companies. The ministry demanded checks for companies operating without government licenses or functioning beyond the scope of licenses. It also said it was illegal to create or rent communication channels,such as VPNs, without governmental approval, to run cross-border operations. Also, the ministry ordered telecoms infrastructure providers to authenticate their clients' use of network resources.

The CCP has also banned many sites it thought could undermine the rule of the Party or reduce stability, such as Facebook and Google's main search engine and Gmail service. Unsurprisingly, the authorities have also conducted many operations to tackle illegal online behavior, from pornography to gambling.

Furthermore, the government has insisted on stakes in technology companies and decisions in their management. State regulators have rebuked online platforms for hosting content they regard as going against the ideology of the regime. Examples of such content include videos and messages deemed raunchy or creepy by the state.

Also, as almost everyone in China uses the WeChat application, authorities can rely on the social network and application to police the movements and actions of people.

Like their American counterparts, China's largest technology companies are regulated to deter abuses of power and to alleviate systemic risks. However, critics have pointed out that Beijing's ultra-political strategy and micro-managing indicate that the priority of the Chinese Communist Party (CCP) is to assert total dominance in every aspect of people's lives rather than ensure healthy competition in the industry.

Notably, under the aegis of Chinese President Xi Jinping, the government's unrestricted hand has been omnipresent in China's cyberscape. In mid-December 2021, the country's internet regulator revealed that it had instructed platforms to shut down over 20,000 accounts of top influencers in that year, such as people who criticized China's communist figures, beleaguered entertainers embroiled in scandals and major livestreaming stars.

For instance, in December 2021, Huang Wei, a top influencer called Viya, who sold about everything on Alibaba's Taobao platform,including a rocket launch service for $5.6 million, was fined $210 million for tax evasion. She lost over 100 million followers following the government closure of her social media accounts.

Similarly, Beijing-based writer Lilian Li disclosed that although Tencent and a studio working with iQiyi asked her about the creation of a streaming series based on one of her history novels, both companies later told her that they could not proceed as they had only a slim chance of obtaining the censors' approval for a history series. Li also complained that she received far fewer collaboration requests from content providers in 2021.

One of the most awaited films for the 2021 Christmas season had to alter its name to "Fire on the Plain," from "Moses on the Plain," likely due to its reference to Christianity. Four days before its release, the production team declared that the film was postponed without offering more details.

Technology companies were not spared from gigantic fines either. In fact, Alibaba was handed a record $2.8 billion antitrust fine in September 2021. Subsequently, authorities meted out a $530 million fine of Meituan, the food-delivery giant.

Between January and November 2021, Weibo, China's Twitter-like platform, was fined a total of 44 times while Douban, the popular film- and book-reviewing site, was fined 20 times.

In the third quarter of 2021, China's largest internet company, Tencent, announced its most sluggish revenue growth since its public listing in 2004. The e-commerce giant Alibaba's profitability fell 38 percent from 2020.

Didi, hitherto the most valuable start-up in China, declared an operating loss of $6.3 billion for the first nine months of 2021. In July of that same year, the authorities prevented Didi from signing up new users and demanded that application stores remove its services in wake of a cybersecurity investigation.

Jack Ma, China's digital mogul and founder of Ant and of e-commerce giant Alibaba (the Chinese Amazon), vanished from the radar for weeks after he was called in by the government. Observers have speculated that he was most likely rebuked that his company failed to align with official Chinese policy.

To add fuel to the fire, the online-education and tutoring sector in the country has nearly been eliminated after Beijing determined that the businesses imposed unnecessary burdens for parents and children, thus obstructing state attempts to boost the country's plummeting birth rates.

Consequently, hundreds of thousands of people have lost their jobs. While some firms have been forced to shut down, others are still reeling from major losses or dismal earnings.

In order to avoid becoming the next targets for a clampdown, online social media and entertainment platforms, cautious of frequent government directives that their products are not suitable for the young, are removing various types of content and influencers.

To prove their allegiance to Xi's regime, many technology firms have been rebranding themselves to construct key technologies that will liberate China from what Xi termed as "stranglehold" weaknesses that the United States can take advantage of. Such technologies encompass semiconductors, new energy, and other advanced technologies.

A Beijing-based venture capitalist said his firm had stopped investing in consumer technology entirely. Instead, it had been assiduously convincing scientists and semiconductor engineers to start businesses. Such efforts were an uphill task as many scientists do not have the entrepreneurial drive, said the venture capitalist, who spoke on the condition of anonymity for fear of reprisals.

Li Chengdong, an e-commerce consultant who invests in start-ups, admitted that some consumer internet companies he owned were grappling with higher compliance costs. "To stay on the safe side, they have to be stricter in compliance than what the government requires," he said.

Worry and pessimism have been dominating even the employment landscape, another casualty of government-led Internet crackdowns. Many technology companies have moderated their growth targets and have retrenched promising and well-educated employees due to cost constraints and government pressure.

Critics have lampooned China's clampdown for destroying the innovation, creativity and entrepreneurial spirit that propelled China's ascendency to technological power. These criticisms accused the government of ruining companies, profits and jobs that hitherto attracted China's best and brightest.

It is noteworthy that even internal figures within the communist system have been appalled by such stringent government suppression. For example, the previous head of China's sovereign wealth fund called for limitations to the power of regulators. Also, Hu Xijin, the retired editor of the official newspaper *Global Times*and a mouthpiece of the CCP, remarked that he hoped that regulatory actions could benefit most companies rather than resulting in them "dying on the operating table."

Just some years back, many Chinese firms were famous for imitating Silicon Valley in terms of innovation, creativity, and technological know-how. Fast forward a few years later, observers have seen China's Internet landscape purged of elements considered questionable or illegitimate by the communist leadership.

Evidently, in the next few years to come, Beijing would most likely want its cyberspace to become a more watertight platform of governance and indoctrination. The regime would almost certainly penalize firms or individuals who go out of line, regardless of the ramifications.

"Restrict this, cancel that. Regulate this, censor that," Chen Jian, a stock market investor, wrote on the social media platform Weibo. This country "will become a cultural desert eventually."