

Round-Table on Internet and Free Flow of Information in China

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"Wired China: Whose Hand is on the Switch?"

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Good afternoon. I am Kathryn Hauser, Senior Vice President of the Information Technology Industry Council (ITI). Thank you for inviting me to speak to you today on behalf of the 30 member companies of my association. ITI's members are the leading providers of information technology products and services and span the entire industry: IT infrastructure, computer hardware, software, IT services, consumer electronics, e-commerce and Internet services. Our companies operate globally and are heavily invested in ensuring open international trade, as over 60% of their total revenues come from foreign sales.

China is obviously a key market for ITI members. Many ITI companies have long-standing investments and operations there; others are relatively new to this market. But all agree that China represents the most significant growth market for IT products and services, and ITI is actively working to improve our companies' access to this market. We are hopeful that China's membership in the World Trade Organization will advance domestic economic reforms and expand China's openness to the rest of the world.

The focus of this Roundtable discussion, "Wired China: Whose Hand is on the Switch?" is timely. We have all observed the rapid expansion of Internet access in China, as well as the steady increase in Chinese domains and web sites. The China Internet Network Information Center estimates that there are 33.7 million Chinese Internet users, and many are predicting that China will soon overtake Japan as the Asian country with the most Internet users. Already China is the world's largest market for cell phones, with nearly 160 million users. As technology evolves to allow inexpensive Internet access from cell phones, China is likely to have more Internet users than any other country.

All of us are questioning what this means for China, for its people, governments, businesses and customers, and for our companies doing business there. As with any issue in China, the role of the government is paramount. Through telecommunications policies beginning in the 1990's, the Chinese government shaped the growth and diffusion of the Internet and continues to support its expansion today. At the same time, the Chinese government is attempting to control use of the Internet by filtering or blocking access to certain websites with objectionable content. We in industry believe in the power of information technology to generate higher productivity and economic growth, to increase the flow of information, and to better the lives of those who can access it.

I. Chinese Government support for the Development of the Internet.

Internet expansion in China is due to direct support by the Chinese Government, which continues to promote the use of information technology and the Internet to serve its economic development goals. Nearly a decade ago, in the early 1990s, the Chinese Government began a process of

"informatization" to "drive industrial development." It initiated the so-called "Golden Projects" which established a new Internet protocol (IP) communications network linking government ministries and state-owned enterprises. The goal was to use information technology as a vehicle to modernize the economy, centralize decision-making, create a more transparent administrative process between and among government ministries, and establish e-government capabilities. The Chinese government also deployed broadband technologies, particularly in high-density urban areas, and put a plan in place to rapidly build out the country's telecommunications infrastructure. These actions paved the way for State Council support for the development of the Internet in China.

In 1996, the State Council set up a Steering Committee on National Information Infrastructure to coordinate Internet policy, taking it out of the hands of the Ministry of Posts and Telecommunications and the Ministry of Electronic Industries. Further restructuring occurred in 1998, with the consolidation of functions into the Ministry of Information Industries. High-tech and telecom issues became the responsibility of Vice Premier Wu Bangguo and MII Minister Wu Jichuan, with Premier Zhu Rongji occasionally taking a role.

Last August, the State Informatization Leading Group was formed to provide top-level coordination of intra-agency issues related to the IT and telecom sector. Under this leading Group, the State Council Informatization Office launched a major initiative to broaden decision-making and communication links through e-government.

Chinese government officials are eager to learn about the U.S. experience with e-government. We have forged a link between the State Council Informatization Office and USITO, the U.S. Information Technology Organization, which is comprised of six U.S. IT associations and serves as our voice in China. Vice Minister Liu He of the State Council Informatization Office was in Washington last month and discussed e-government and e-commerce issues with ITI member companies. We will continue this dialogue through USITO in Beijing.

The United States should welcome China's e-government initiative. It has the potential to significantly increase transparency of China's governance for its own people. Some of our members believe it will also be the major driver of the growth of the use of the Internet in China, as government information, decisions and services remain important if not paramount in China. Finally, U.S. companies, including ITI's membership, are best positioned globally to benefit from this growth.

As China moves forward with its informatization strategy, including establishing rules and regulations, U.S. industry believes it has much to contribute to the formulation of these rules in terms of global and national practice. We hope and expect that, consistent with China's WTO obligations, we will have timely and effective opportunities to comment upon the development of regulations affecting our businesses in China and look forward to working with Chinese officials toward this end. This includes regulations ranging from the structure of foreign enterprises offering Internet services, to encryption to wireless standards, and much more.

II. Restrictive Measures concerning the Internet

As the Internet continues to expand in China, the government continues its efforts to attempt to tighten controls on on-line expression. What kinds of content is the Chinese government trying to limit? Much of their attention seems focused on the same issues that have troubled regulators in

other countries: exploitative, sexually inappropriate, or criminal uses of the web. Beyond that, Chinese officials want to limit politically offensive or regime threatening subjects.

Since 1995, when China first began permitting commercial Internet accounts, the authorities have issued at least 60 sets of regulations aimed at controlling Internet content. The regulations are often vague and broadly-worded, but nonetheless form an elaborate regulatory framework that serves as a statement of policy, justification for monitoring and surveillance, a set of guidelines for what constitutes "illegal" activity, and a deterrent to internet users.

Pressed for details, regulators have a hard time - or simply refuse - to describe with precision what sorts of subjects fall into this category. The very vagueness of Chinese regulations concerning political or religious issues has a chilling effect on all dialogue relating to these topics.

There is an irony in these restrictions, since the broader media in China - TV, radio and an evolving print sector - are experimenting with anti-corruption and consumer-oriented stories on a host of topics.

A recent survey of Internet Use in China conducted by the Center for Social Development of the Chinese Academy of Social Sciences suggests that the government's actions may not be sufficient to stop the flow of information. The survey revealed that 10% of the users "frequently" use proxy servers and 25% of users "occasionally" use proxy servers to get around websites blocked by the Chinese government. The survey concluded that the main reason non-users are not on-line is cost (computer, access to Internet, etc.) -- not fear of government control. Both users and non-users said they have a positive attitude toward the Internet and believe it will make the world a better place. (See CASS Internet Survey 2000, directed by Prof. Guo Liang and Prof. Bu Wei, available through (www.worldinternetproject.org.)

III. Role for U.S. Industry

A key objective will be to develop a process whereby companies that will be affected by proposed new regulations will be permitted to comment on them before they are implemented. In addition, we hope to share information about how other governments are dealing with some of these problems, encourage Chinese participation in e-commerce fora around the world, and support government-to-government exchanges on these issues. We anticipate that this discourse will enable both industry and government to work together to address the regulatory structure and other key issues, such as privacy and security.

Conclusion

Whether one considers the Internet primarily a method of mass communication or a product of the telecommunications network, the fact remains that the Chinese leadership continues to see the development and promotion of the Internet as a vehicle for cultural, educational and economic development in China. This does not mean that the government will not try to control objectionable content, just as many other countries are doing. But it is clear that China is making more information available to more and more people. The U.S. IT industry needs to be part of this effort.

Thank you.