China’s New Media Dilemma: The Profit in Online Dissent

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ABOUT CIMA
The Center for International Media Assistance (CIMA), at the National Endowment for Democracy, works to strengthen the support, raise the visibility, and improve the effectiveness of independent media development throughout the world. The center provides information, builds networks, conducts research, and highlights the indispensable role independent media play in the creation and development of sustainable democracies. An important aspect of CIMA’s work is to research ways to attract additional US private sector interest in and support for international media development.

CIMA convenes working groups, discussions, and panels on a variety of topics in the field of media development and assistance. The center also issues reports and recommendations based on working group discussions and other investigations. These reports aim to provide policymakers, as well as donors and practitioners, with ideas for bolstering the effectiveness of media assistance.

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Introduction

Studies on the development of Chinese media often diverge greatly in answering the question of which force will prevail: the government, with its unparalleled capacity to curb free expression, or liberal voices, aided by the technologies of new media. This paper argues that the outcome of this struggle remains contingent on technological and commercial factors that are now in flux.

Nearly a decade since China first blocked Facebook, Twitter, and thousands of other foreign social media platforms and websites, the country’s citizens are turning to homegrown digital media faster than ever and leaving state-run newspapers and broadcasters with a dwindling audience—with serious implications for how the government manages public opinion. Unlike newspapers and TV stations, China’s new media industry is financed in large part by private capital and, as this report argues, has responded to market incentives by subtly shielding users from certain forms of censorship and repression in the digital sphere. China’s liberal movement is taking this opportunity to carve out more online spaces for dissent, which may constitute the arena for new struggles to come over freedom of expression in China.

These liberal gains may be increasingly threatened by an extraordinarily successful Chinese model of media control, which has been reinforced and strengthened since President Xi Jinping came to power in 2012. Combining both Orwellian and Huxleyan features of thought control and consent manufacture, China appears to have developed an unassailable post-totalitarian media system. While the state engages in censorship and surveillance, it also adroitly encourages a market that will “amuse people to death,” keeping them occupied and distracted. When dissenting voices break through, these outspoken citizens, victims of abuse, human rights defenders, and other advocates are swiftly discredited by a well-greased public relations machine powered by private firms and cutting-edge technology. This often happens around flash point incidents, as was the case with a kindergarten sex abuse scandal in 2017 and chemical explosions near a city-center apartment complex in 2015.

That model has effectively silenced liberal thought leaders and independent journalists, but increasingly contends with far more diffuse, fragmented, and subtle expressions of discontent that
will be difficult to stamp out short of banning social media—or humor. Take this fictional satirical exchange between a reporter and public spokesperson that circulated on one of the free apps for mobile phones:

*A reporter asked the government spokesman: ‘The traces of pesticides on foods have broken all allowable levels! Tea is also not drinkable any more. Is there any food left that people can feel safe about?’*

*The spokesman got quite annoyed: ‘Use your brain before asking a question! What makes you believe the pesticides aren’t fake to begin with?’*

The use of parody to express serious grievances thrived in China long before the internet’s arrival. What is new is how digital disruption has enabled a massive proliferation of satirical content, like minute Trojan horses, behind China’s so-called Great Firewall, the country’s vast system of automated and manual online censorship. This form of dissent, less dependent on popular thought leaders and more driven by crowds, raises the cost of crackdowns. Even when the government does shut down an entire platform, the dissenters quickly migrate to new platforms in pursuit of more freedom to speak up and ever-larger online communities.

Privately financed and operated internet firms compete to attract these digital refugees and now dominate the distribution of news and the sources of information that the public trust. The flip side of this development is the accelerated decline of state-run legacy media outlets, on which the government’s control over information has for so long been staked. The operators and financiers of new media, both mainstream and cutting edge, appear to be more liberal than those of state-run media, and are attracting legacy-media journalists ousted in recent crackdowns. They are stimulating strategic portions of the Chinese economy, and the costs to the government of interfering with what they do can be quite high. Chinese users of social media continue to award their attention to platforms that offer freedom of speech, and these platforms in turn develop subtle technical obstacles to censorship.

The Chinese state no doubt still retains unprecedented power to coerce, manipulate, and co-opt... yet the persistent success of new media raises questions about whether this power has been attenuated.
and if so, whether the debate over the role of new communications technology in China’s political system has really been decided.

Overall, the tensions inside China’s media system are exemplary of a broader struggle between economic and political power inside China. But unlike the prior liberalization of agriculture, manufacturing, and other industries, the rise of the internet introduced new, exponential, and uncontrollable speed and scale to the ability of the Chinese people to share their thoughts, organize themselves, and raise grievances against the one-party state. Enough people have now tasted and enjoyed these new freedoms that the government has found it impossible to shut them down completely. The Chinese Communist Party (CCP) knows that the outcome of the struggle over social media may very well determine whether China can sustain both rapid growth in the digital sector and the political status-quo, or whether the country will be forced to choose one at the expense of the other.

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How the State Tamed Legacy Media

The complex tensions between the profit motives of privately funded media and China’s authoritarian model of communication are not new, but they are being reconfigured amid the rise of new media, which for the sake of this report refers to platforms providing aggregated, user-driven, and interactive content. New media is dominant online in China, but is not synonymous with the internet or digital media. Legacy media outlets also publish online—in addition to the traditional channels of TV, radio, and print—but are distinguished by producing content the old way, relying on journalists and other media professionals. Legacy media themselves previously enjoyed a brief period of commercially driven liberalization later curtailed by both digital disruption and the state.
As China entered the reform period in 1978, the absolute control that the CCP had held over media since 1949 gradually slackened. Before then, Chinese media had been complicit in covering up catastrophes produced under a totalitarian system, including the starvation of between 30 and 45 million Chinese farmers. Designed to shift the economic burden of funding state-owned mass media from the state to the media themselves, the process was briefly disrupted after the 1989 Tiananmen Square massacre, which was followed by a political purge that closed liberal media outlets and removed outspoken journalists from their jobs. Soon afterwards, the process of commercialization accelerated throughout the 1990s.

A long period of negotiation between commercialization and censorship ensued. On the one hand, all media are “majority-owned by the party or other official organizations and are responsible to the appropriate level of the party apparatus.” On the other hand, the funding model for Chinese media switched from state subsidies to advertising revenue.

The problem of media control during this commercialization process, from the perspective of the government, was partly solved in two ways. First, through a number of administrative, personnel, and extralegal means, including the shutdown of commercialized news outlets as well as political persecution, the government has been able to steer the commercialized news agenda. Second, the unpopular and politically oriented content of the CCP media has been cross-subsidized by subsidiary commercial news outlets.

Xi Jinping, China’s most powerful leader since Deng Xiaoping, has stepped up measures of media control since assuming power in 2012. The government has effectively muzzled liberal media outlets and forced debates about reform offline. He has also tamped down on economic news reporting feared to trigger market panic and criticism of government policy as well as on entertainment reporting that stealthily touches on current events including corruption. Xi has also tightened his control over CCP media through political and administrative means.

With legacy media again quiescent, Xi has since turned the repressive apparatus of the state toward the digital sphere, as evidenced by a sweeping crackdown on online dissent in 2018. This repression, however, must contend with a digital sphere that is in rapid flux.
The Disruptive Power of China’s New Media

The disruption to China’s media market caused by digital media has been so rapid that online mobile ads alone, which already take up almost 70 percent of the overall internet ad market, exceeded the sum total of all other forms of advertisement in 2018. A report by a government-affiliated publisher showed that while China’s overall media market grew by 16.6 percent in 2017, growth in digital media far outpaced that of print and broadcast media.\(^\text{15}\)

These trends have led some Chinese observers to believe that the bulk of legacy media will not survive in their current form.\(^\text{16}\) Both circulation and advertising for print publications declined by 14.8 percent in 2017, with the newspaper ad market shrinking by more than 30 percent.\(^\text{17}\) The newspaper advertising market, at about $224 million, represented less than 4 percent of the value of the overall internet advertising market of $56 billion in 2017.\(^\text{18}\) Dozens of papers shuttered in late 2017.\(^\text{19}\) With revenues no longer covering costs, many local stations owed workers back-pay going as far back as 2014.\(^\text{20}\) Another possibly related result of this media disruption was the continued exodus of media workers from legacy media to new media.\(^\text{21}\)

The few remaining media houses with any independence have also seen revenue decline, and many have shuttered or downsized.\(^\text{22}\) In this respect, digital disruption has arguably hurt the quality of “independent and critical journalism” that is indispensable to pro-democratic opinion in its operation and oversight of the government.\(^\text{23}\)

Due to disruption, television and radio ads saw their first-ever decline in advertising revenue. An October 2018 article reported that, year on year, television advertising dropped by 4 percent; 80 percent of the local stations saw their ratings drop by 10 percent; and two-thirds of the programming had a rating of less than 0.5 percent.\(^\text{24}\) Tightening censorship guidelines only made things worse.\(^\text{25}\) As part of their struggle to adapt to the new environment, some legacy TV networks have been buying programming from online video streaming platforms and seeking new media partnerships.\(^\text{26}\)

In this environment, private capital and technical dominance give some firms control over news distribution channels.\(^\text{27}\) As of early 2018, China’s top five mobile news apps as determined by market share (Today’s Headlines, Tencent News, Mega-Speed Headlines, Daily Headlines, and Cool Headlines) were all privately owned.\(^\text{28}\) In contrast, CCP newspapers
The Big Three (Baidu, Alibaba, and Tencent, collectively known as BAT) are all listed on the Nasdaq. In addition to the foreign capital that comes from stock market listings abroad, foreign capital finds its way to Chinese firms under complex legal arrangements that mask such investments.

have tried to adapt by creating their own mobile apps, but without much success, leaving behind a graveyard of “zombie” apps that have either never been opened by users or not downloaded in the first place.29

We have a lot of indirect evidence that both foreign and Chinese private capital are significant players in Chinese internet media behind the scenes, even though hard data on their market share and sector distribution are rarely made public.30 The Big Three (Baidu, Alibaba, and Tencent, collectively known as BAT) are all listed on the Nasdaq. In addition to the foreign capital that comes from stock market listings abroad, foreign capital finds its way to Chinese firms under complex legal arrangements that mask such investments.31

One 2019 Chinese stock analysis report stated that privately operated internet media had long been the market favorites, at the expense of state-owned media, including commercialized, politically liberal legacy media that were money-makers before disruption, such as Southern Weekend and Phoenix.32 One media market research report included a section on private capital and advice on market strategies in view of policy constraints.33 A 2018 CCP media article reported with approval that private capital had been pouring into the exploding video streaming market, which served 425 million users.34 Youku, one of China’s top video streaming platforms, was launched with private capital.35

It is no surprise then that news apps for mobile phones have become one of the latest targets of government repression; six cutting-edge apps were temporarily shuttered in April 2018.36 A closer look shows us why they were targeted, and how the threat posed by these platforms may be difficult to eradicate entirely from China’s digital ecosystem.
Weibo May Be Tamed, but Questions Remain

Weibo is an often-cited example of how liberal thought leaders from civil society successfully, if briefly, overcame government censorship and manipulation to dominate a platform in an unprecedented way. The events leading up to the government’s 2013–2014 crackdown on Weibo, a microblogging platform known as China’s Twitter, reveal how market forces could conspire to promote freedom.

Weibo was a safe choice, the poster child of the co-opted firm. The government had shut down a disobedient competitor, Fanfou, in July 2009 because the authorities had found it negligent in controlling the opinions expressed on its platform. Weibo became the hand-picked heir to dominate the microblog space. “Relying on its strong connections to the government... [Weibo] had enough money and human labor to fulfill the monitoring standards of the government,” noted one Chinese analyst.

By some accounts, it was clear by 2013 that the Chinese government was losing its sway over the news agenda on what was arguably the most cutting-edge public space on the Chinese internet. Civil society voices proved influential in shaping public opinion, thereby posing a threat to the government, which has long considered the “guiding” of public opinion to be its exclusive domain. By July 2013, China had 591 million internet users and 330 million Weibo users.

Most of the leading users on Weibo appeared to be liberal. According to two studies, an absolute majority of the most influential opinion leaders on Weibo supported democracy and freedom. These influencers, it became clear, were setting the news agenda. According to government research, for the 33 flash point topics researchers surveyed in 2011, new media—including Weibo, online forums, and blogs— influenced the direction of public discussion in 10 percent more of the topics than legacy media. Those topics included an environmental protest, a corruption scandal concerning the state-run Red Cross, and the illegal police expulsion of 80,000 people from Shenzhen ahead of the Summer Universiade, a collegiate athletic competition.

Perhaps most famously, a 2011 high-speed train crash brought with it a wave of government criticism online even as authorities took pains to muzzle legacy media coverage of the accident.

The airing of both government performance problems and systemic critiques on such a popular platform presented an unprecedented and profound threat to the Chinese state. A Chinese researcher noted that the exposés and satirizing of the systemic problems and corruption “touched upon the legitimacy of the ruling party.” A well-documented crackdown followed.

However, there is evidence that the dissent continues to smolder on Weibo, as well as having shifted toward newer platforms, albeit often in hidden and segregated channels.
The Business of Liberal Opinion in China

Evidence on how private firms avoid complying with the government’s wishes can be hard to come by since the risks of not doing so are immense. Actors close enough to events to make timely observations are often fearful of speaking, so studies into the liberal currents of Chinese media often rely on outdated and ambiguous testimonies. However, there is reason to believe that privately financed firms, motivated by profit and aided by the latest breakthroughs in technology, have often covertly weakened censorship in creative ways. This paper offers a sporadic view of that creativity and the underlying market incentives.

Giving the audience what it wants: Preference-driven algorithms

In contrast to fears expressed in the West about algorithms that undermine democracy, the Chinese government is fearful of algorithms that aid democracy. In June 2018, a top official at People’s Daily Online indicated the party’s apprehension with regard to technologies that cater to preferences: “We are...researching ‘CCP media algorithms’...we staunchly oppose algorithms that are out of control, chaotic, or dangerous.”

One of China’s biggest upstart challengers to more established private internet media, Headlines (also known as Today’s Headlines, or Jinri Toutiao in Chinese), is a case in point of how consumer preference and technology might pose a threat to the CCP’s control over the digital space.

As one of China’s top-ranking mobile news apps, Headlines is one of the pioneers in making use of algorithms to push customized content based on user preferences. The market reward for Headlines’ technological edge came swiftly. The company achieved an $8 billion valuation in 2016, just four years after its inception, posing a white-hot challenge to WeChat, Tencent’s mega-app.

The crackdown on Headlines began at the end of 2017. In what was described as “the first wholesale shutdown of a mobile news app” in China, Headlines reportedly lost 20 percent of its valuation as of May 2018. This case supports the views of Chinese observers who, according to a BBC report, believe the crackdowns on news apps are aimed at censoring the internet and restricting freedom of speech. In a press release, Headlines admitted to “content inconsistent with socialist core
values” and “not carrying out thoroughly the guidance of public opinion.”

It promised to push to educate its employees in “socialist values,” “to ensure the distribution of” CCP messages, and to hire an additional 4,000 people to “review” content.

The crackdown, however, does not appear to have deterred Bytedance, Headlines’ parent company, from its long-term focus on chasing the commercial potential of its algorithms. As of September 2018, half a year after the crackdown, Bytedance was, according to the New York Times, valued at $7.5 billion. An October 2018 media analysis indicated that part of Bytedance’s commercial appeal is its ability to use algorithms to choose not only visuals, but also short videos, graphics, and even ads for the audience. This is a testament to the market value of catering to customer demand.

Online connections and real-world action

The mobile app Inside Jokes, or Neihan Duanzi, which once boasted 200 million registered users and 20 million daily active users, illustrates the potential for people to connect with one another through Chinese new media and organize themselves for collective action.

The app unified users with slogans, car stickers, and secret signals that allowed them to communicate while excluding outsiders. One slogan was “You’ve got Inside Joke friends when you’ve got a problem.” In a widely quoted comment with 1,000 upvotes, or “likes,” an anonymous commentator wrote that the app had promoted so many common values and created such a sense of cohesion among its users that it had become something more than just a platform. He thought the app had become “a powerful group.”

Dissent among the app’s users was expressed through music. An overseas Chinese site reported that a song that made oblique references to the Berlin Wall and the Tiananmen Square massacre had been popular among the app’s users. The authorities banned the song at the same time they banned the app, and more people learned about the song as a result.

The app expedited association and assembly one step ahead of the security apparatus for a time. In Beijing, more than 2,000 people used the app to organize and meet up for volunteer work. Similar groups existed in other big cities and towns. In a central province, one county saw a registered mutual aid group of 1,000 people who organized under the app. By comparison, the police tried to stop Christian meetings of more than
10 people in 2015, and the dinners held by the New Citizens Movement before 2013 numbered between 20 and 200 people. By the Chinese government’s own tacit definition, all social association and assembly activities are political since they allow civil society to exist apart from the state. As the 2013 Harvard King-Pan study showed, internet channels that make collective action possible are where the Chinese government focuses inspection efforts.

One industry estimate pegged the market value loss of the app shutdown to its parent company at $5 billion. User reactions to Inside Jokes’ demise illustrated the strength of collective action empowered by new media and the difficulty of eradicating it. After the app was shut down, Inside Jokes users flooded the comments sections at two competitors with protest messages for a day, forcing the two companies to close their comments sections. This was a rare act of digital protest. Meanwhile, the user bases of several competitor apps shot up.

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Chinese press speculated that users had moved on to new pastures. If past experience is any indication, the cat-and-mouse game is unlikely to end there.

The art and technology of impeding the censors

The Chinese government’s success at co-opting privately financed firms into assisting its censorship efforts is well-known. It is a widely understood phenomenon that political content screening remains the same or even stricter than on pro-government media in some geographic areas and popular platforms. And more profit-generating space is given by the state to commercial media outlets and publications that do not cover current events or other content with a clear political connection. In subtle ways, however, market forces often push these same firms to cheat the censorship system.

The ways in which commercial platforms bring back banned thought leaders and content is typified in this social media comment from Weibo’s heyday:

Opinion leader accounts that were censored return through a process of ‘reincarnation’ without losing prior connections; deleted videos of illegal demolition of private property by government-hired thugs were restored, carrying identifying information so complete that denial was impossible.

Similar practices continue on new media platforms. First of all, commissions and advertising tempt emerging platforms to test the
boundaries of censorship. According to a March 2018 report available on the website of China’s national police agency, a couple of key opinion leaders had been recorded on video climbing atop police cars in a show of bravado to attract audience payments,\textsuperscript{74} a politically significant challenge to authority in a police state like China. Other acts of political satire had also been left up on the platforms. The report noted that platforms earned a commission from audience payments, in addition to other streams of revenue including advertising. The report accused the platforms, driven by the profit motive, of paying lip service to censorship demands. According to the report, these platforms not only fail to take the initiative to censor, they even “exploit opportunities to test the boundaries of official censorship.”\textsuperscript{75}

WeChat, like Weibo, has allowed some banned influencers to return. These “reincarnated” accounts have at times been backed by impressive private funding, which speaks to the market incentives for dissent. For example, Elephant Public Assembly, a liberal WeChat account, was blocked in 2014.\textsuperscript{76} It was restored after three months with some fanfare, and vowed to steer clear of sensitive content.\textsuperscript{77} By late 2015, the account received venture capital funding, showing that censorship does not deter investment in some cases.\textsuperscript{78} A year later, the account had again become an influencer.\textsuperscript{79} A similar story happened in the economic reporting arena. Finance Gossip Girls, a WeChat financial journalism account that had five million readers, was valued at $21 million, and had 3,000 sources in the finance industry, was permanently blocked in 2017.\textsuperscript{80} However, as of late 2018, it is back in operation as a Weibo account.\textsuperscript{81}

The dissemination of information on how to restore blocked media accounts provides another instance of subtle resistance to censorship on the part of the platforms. A WeChat account, noting that “sensitive current events and political issues” can get individual accounts blocked permanently, disseminated the technical means through which account holders can “revive” their accounts, such as by registering using a slightly different name or taking advantage of account backup options.\textsuperscript{82} In another instance, a popular post on independent media chronicled a number of methods for evading censorship on successive generations of platforms.\textsuperscript{83} A new media account may also be allowed to report on the reopening of temporarily suspended accounts, thereby reconnecting those accounts to both existing and potential readers.\textsuperscript{84} That there is often a lot of leeway around censorship is proven by a recent exception. When a top WeChat influencer, Mimeng, was shut down in February 2019, one of the platforms announced that “no ‘reincarnation’ will be
permitted.” The official press recently condemned the negligence of the platforms regarding such evasion.

Additionally, online platforms and news portals have begun to hide measures of influence to make it more difficult for censors to quantify impact and identify top opinion leaders. Unlike blogs and Weibo, there is now no way to determine how many times a popular WeChat post has been read beyond 100,000, or how many followers an account has. One liberal influencer noted that he had frequently asked WeChat to do away with even the 100,000 marker to protect writers. Similarly, news portals such as NetEase hide the number of reader comments on articles. Presumably busy, bribed, or unmotivated censors would be hard pressed to gauge the impact of an article in these cases.

Occasionally, the platforms themselves keep returning from the dead. For example, Zhihu, the app where the abovementioned provocative comment on censorship failure had been posted, was shut down temporarily in 2018 allegedly for reporting on protests against the Chinese government’s decision to amend the constitution to give Xi lifetime tenure as China’s leader.

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The Political Economy of China’s New Media

Over the past 10 years, Chinese users have migrated from online discussion boards to blogs, to social network PC sites, to microblogs (Weibo), to mobile apps like WeChat, to various communities of interest, and finally to video-streaming platforms. This rapid evolution of technology has opened up regulatory gaps that sustain freedom of expression, if only in small and fragmented pockets of the Chinese internet.

Even if the government decides to risk some digital stagnation in exchange for more controls on public opinion, these pockets of relative freedom are likely to persist. Users migrate to new platforms chasing more space to speak up, taking advantage of the time lapse before censors catch up to the new technology. During that progression, the user base has expanded exponentially, and liberal opinion has survived in spaces beyond the reach of censorship. A government official noted that users had migrated from Weibo to WeChat in late 2013 in part because during the crackdown “people [were] not able to fully vent their feelings” on Weibo and were dissatisfied with the user experience.

The spontaneous rallying of public opinion on a decentralized internet poses unprecedented challenges for the authorities. The spread of information and government criticism linked to flash point incidents now appears more “leaderless,” making such information and criticism harder to track and stop since silencing opinion leaders has not silenced the people. In their examination of a 2017 incident of alleged abuse perpetrated by the police, two researchers noted that “the weakening of opinion leaders on Weibo” saw grassroots netizens spontaneously organizing and disseminating information in the comments section of popular Weibo accounts. Grassroots netizens have replaced traditional opinion leaders in their role as the “magnifiers” of public opinion, so that flash point incidents can now be leaderless, with no fixed online location and spontaneously organized.

This sort of decentralized opposition can reduce the cost of supporting liberal opinion. “Netizens” are at once too numerous to be singled out and too obscure to invite repression, unlike the highly visible opinion leaders of Weibo with their millions of followers. The same trend is visible on WeChat. For example, hundreds of private WeChat groups, some with hundreds of members, have connected the human rights movement with pro-democracy activists.
The potential for collective and political action therefore persists. Such decentralization has raised the costs of maintaining ever-tighter controls. Censorship has also become more complex in a media environment that has far more content across a greater number of channels, and where it is considerably more difficult to pinpoint the source of unwelcome content.

Frontiers in the digital technologies of control

As difficult and complex as controlling content in this environment can be, China is making an unprecedented effort to do so, and one that may rely increasingly on sophisticated techniques of propaganda and manipulation. In this regard, Xi has overseen government efforts on three main fronts: developing sophisticated digital propaganda tools to shift and manipulate online opinion; pushing CCP legacy media to produce more attractive digital content; and adopting more aggressive policies to pressure privately financed new media firms to step up censorship.

In January 2019, Xi Jinping “encouraged all CCP-owned media outlets to catch up with the new media era, and hasten media convergence through the bold use of new technology, new mechanism and new models to maximize and optimize the effectiveness of publicity.”

In addition to automated censorship of criticisms against the government, the CCP is harnessing the latest advances in artificial intelligence and data analytics. Examples include using cloud computing to automate fake pro-government comments, surveillance software systems that perform web crawling and sentiment analysis to track opinion trends, and digital platforms for censorship officials to share best practices in real time.

At the same time, many CCP media outlets have been increasing their roles and basing their business models on opinion surveillance and manipulation, as part of the government’s larger propaganda offensive. With the advent of big data and artificial intelligence, and ramped-up government funding, top-level CCP media such as People’s Daily and Xinhua have been obtaining lucrative contracts to keep tabs on opinion trends. Once those have been identified, these “media organizations can use their media channels to help government clients directly address negative information and promote positive propaganda.” However, most CCP media at lower administrative levels have still not been able to make the digital transition, according to an article published in the authoritative People’s Daily.
Finally, it is important to consider how private firms have contributed to Xi’s successful offensive against liberal opinion, using methods of manipulation and surveillance in addition to censorship. Some of the most powerful opinion surveillance platforms belong to giants such as Sina and Tencent. Pro-government discourse has found powerful private champions that make money by glorifying China’s military and industrial might. Most importantly, they can get the message across where state-run media propaganda alienates the audience. Salacious gossip over celebrity infidelity abounds. Strategies to falsify evidence and mollify public anger toward government misdeeds are well-developed. Consequently, exposés of official malfeasance that used to top the news charts have largely disappeared.

However, Xi appears to be dissatisfied with the co-option of private firms, and has been making moves against them that are still unfolding. Given that the government has enshrined state ownership of media in its laws, and clearly sees media control as of paramount importance, does its famed success at co-opting private firms leave any political space to elude that control? To answer the question requires a closer look at the struggle between the government and private enterprise in China’s digital sphere.

Contending with the power of China’s tech firms

Some pro-government analysts have warned that private firms now rival the state in their technological and financial prowess, writing that “our domestic large-scale internet firms possess ‘supranational’ capabilities”—in terms of human, financial, logistics, and data resources, as well as data processing and analysis technology—that are “largely not within the control of the state.” As a result, “private internet firms now control the rule-making powers over the media.”

Some civil society commentators have made similar assertions. A new media analyst wrote that “the privately-financed conglomerates are now in dominant positions that would be hard to dislodge when it comes to social [media], e-commerce, mobile payments, real estate, logistics and media information sectors.”

The challenge to the state is especially alarming, given that new media operators and funders appear to be more liberal as a group than those in CCP media. Some researchers have characterized the entire sector as promoting a liberal agenda. For example, braving political risk, some new media have funded the investigative
journalism that legacy media can no longer afford. Many new media talent and business executives were once liberal journalists displaced by crackdowns and digital disruption.

Given their growing importance to the Chinese economy, how far can the government intervene in the business of key internet firms without severely disrupting growth? The overall costs of shutting down or taking over private internet firms for the government is an issue that the government must now consider. As warned by many observers, BAT and other new media firms are dominant in both their sectors and the Chinese economy. Such interference can also derail emerging technologies and put China at a disadvantage when it comes to cyber capability as a whole.

The Chinese government may be edging closer to that particular danger. With regard to Xi’s policies to rein in privately financed new media, the broader predictions for 2019 featured in a McKinsey article may be helpful. These include firms being forced to both invest in the mixed-ownership model of state-owned enterprises and accept investment and personnel assignments, including for their boards, from the government. The author believed this “uncertainty and volatility will lead to lower confidence in private Chinese business owners, leading to lower investment levels and lower asset prices.” CEO Jack Ma’s surprise announcement that he was retiring from Alibaba in September 2018 may be a further sign that government pressures are changing the business environment for private firms.

The possibility of elite fallout is also important to consider, since the rent-seeking potential of privately financed firms is higher than ever as their share of the economy grows. Shutting down or switching ownership on new media may incite bitter rivalry. While data are highly limited, some of the firms addressed in this study can serve as a useful illustration. Alibaba, one of the three giant Chinese firms, owned 32 percent of Sina Weibo as of April 2014. According to the New York Times in July 2014, the families of more than 20 Politburo Standing Committee members since 2002 were in top management positions in four Chinese firms that invested in Alibaba. Sina owned about 46 percent of Weibo as of July 2018 and had a market capitalization of $4.17 billion in March 2019.
Young audiences will be the testing ground

The loss of CCP media’s digital reach has been translated into weakened mass appeal, especially among the young. It is perhaps no coincidence that Chinese commentators have speculated that Inside Jokes was shut down so that its young users would pay more attention to CCP media. Many influencers have managed to convey liberal messages through literary, historic, cinematic, and other types of entertainment content. In 2017, a CCP Central Party School professor opined that the official political line was being supplanted by liberal ideas. He cautioned that “the one-way communication style of China’s traditional media to guide ideology is in decline” and deplored netizens for falling for “universal values” peddled by the US. This in turn led to “praise and promotion of ‘internet freedom,’ turning all problems in China into an ideological dispute, wantonly smearing the CCP and the government...” In early 2018, an article in *People’s Daily* complained of a “digital chasm,” where the ability of popular new media opinion leaders to “monopolize the discourse” continued to grow.

As of March 2016, there were 927 million active users of mobile internet in China, with 500 million using instant messaging and video streaming. According to one study from 2017, nearly half of WeChat users were under the age of 26 and almost 90 percent were under 36. WeChat appears to have a significant effect on the political awareness of its young audience. Audience exposure to “theories of universal values, neoliberalism, social democracy” have, to a vast degree, “changed and remolded the traditional political ecosystem.”

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Conclusion

There is nothing new about new media being freer than legacy media in authoritarian China. According to Shanthi Kalathil’s 2009 article in *Foreign Policy* magazine, “Dot Com for Dictators,” the Chinese government already allowed “a freer information environment online than they do in traditional print and broadcast media.” It is sobering to note that amid the flourishing of privately financed and operated firms in the new media sector the Chinese government continues to successfully restrict freedom of information.

Indeed, it can be challenging to square the assessment of liberal new media that shield users from censorship and enable collective action with their Orwellian creativity. Tencent, the same company that runs WeChat, for example, is a trusted state partner in the social credit system that improves the government’s surveillance system with big data analytics. Taking into consideration the restrictions imposed by the government over the last five years, along with the ever-changing opportunities and challenges posed by technological developments, we have ample justification for thinking that the future of free expression in China is grim.

However, there remains some cause for optimism. One way to see the government’s tightening may be that the reaction is proportionate to the problem it faces. The tension between market and political imperatives may be nearing a tipping point. Privately financed and operated media firms cannot make all their money from government surveillance contracts. Appeasing the censors may be their first priority, but they know that long-term survival is tied to the paying customers. When the government starts to crack down on online entertainment, the Huxleyan strategies are weakened, and even distracted and apathetic customers may balk. The cutting-edge firms running vital parts of China’s digital economy have been complicit in silencing liberal opinion leaders, but they have at the same time sought to retain liberal-minded users by creating small enclaves for more open discussion. Along with a broadening liberal user base, this has decentralized the spread of liberal ideas on China’s internet. Motivated citizens organize and stage online protests over targeted issues, and push back against the government’s propaganda.

As Minxin Pei, a professor of government at Claremont McKenna College, has pointed out, “the economic and moral costs of maintaining one-party rule through repression” are very high. For our purpose, after examining how liberal voices have successfully fought for their survival through market support, we can also consider the costs that the government has incurred in forcing liberal opinion underground, and how much further it can afford to go without sustaining grave damage to its rule.
By his action, Xi ended the...


Ibid. To place this in context, there were only three shows in 2017 with a rating of two or above. Superior-performing shows had a rating between one and two, and made up 5 percent of all the shows. Eighty percent of the shows are worst performers with a rating of less than .05, winning them the moniker of “cannon fodder,” according to Xinhua. “Cannon Fodder” TV Series with Less than 0.5% Ratings Approach 80% of All Shows,” Xinhua, March 26, 2018, http://www.xinhuanet.com/emt/2018-03/26/c_1125288610.htm[Original in Chinese].


Paper-Based Media: To Be or Not to Be. People’s Daily. Of course, there are other contributing factors: improved internet speed, cost decrease on mobile data and mobile phone service, and migration of Chinese netizens from computer-based surfing platforms such as Weibo and QQ Space to mobile phone-based apps such as WeChat.


Paper-Based Media: To Be or Not to Be. People’s Daily.

Since nominally the CCP owns all Chinese media, there is no public source for such data. A 2012 study on privately operated media by a media studies professor indicated that she had faced considerable methodological difficulties in securing data because privately operated media had to be secretive given that they operate in a politically sensitive area. See Qin Wang, “Visible and Invisible: Researching the Privately-Operated Media Ecosystem,” (China Communication and Media University Press, 2012) https://www.opensocietyfoundations.org/sites/default/files/mapping-digital-media-china-201209.pdf

One example of this type of practice is “borrowing shells,” whereby a media company buys a company with a license in an unrelated industry and uses it to enter the stock market after asset restructuring. See for example: “The Pros and Cons of IPO Models for Media Firms,” Phoenix, July 6, 2012, http://finance.ifeng.com/opinion/macro/20120706/617950.shtml[Original in Chinese].


China’s New Media Dilemma: The Profit in Online Dissent

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“Ibid.”

One of the most prominent examples of semi-private spaces are WeChat groups. A closer examination of these groups showed that liberal followers were able to associate with one another and hold political discussions through them. According to veteran democrat Zha Janguo, who saw about 10 WeChat groups where political discussions were conducted shut down in March 2017, hundreds of such groups existed in the rights defense movement circle. Feng Zhenghu, a liberal rights advocate, noted around the same time that a group on “Protecting Constitution and Defending Rights” with 461 members was shut down after a year. They have the potential for organizing collective actions. On January 8, 2019, Zhang Jin, a member of a 500-person WeChat group, was arrested for his political activism. See “Tencent Bans WeChat Groups Once Again,” Radio Free Asia, March 22, 2017, https://www.rfa.org/cantonese/news/Tencent-032220170923718.html [Original in Chinese]; Zhenghu Feng, “Commemorating the First Incarnation of the WeChat Group ‘Protecting Constitution and Defending Rights,’” Feng’s Personal Blog, March 27, 2017, http://www.fengzhenghu. net/post/2463/ [Original in Chinese]; Zhang Jiling of Chongqing, Criminaly Detained for ‘Provoking Trouble’ after Plaza Speech,” China Citizens Movement, blog, January 22, 2019, https://ccmn. org/archives/37208 [Original in Chinese].


There is again nothing new, intrinsically, in this “mission creep”; People’s Daily reporters, for example, used to write briefs for high-level officials on unrest and trends around the country without running them as stories. Surveillance and manipulation of opinion is what is expected of CCP media. See Feng Jin, “My Experience Writing Classified Briefs at the People’s Daily,” The Chinese Annals, February 28, 2014, http://www.yhczw.com/33-1497.html [Original in Chinese].


“Ibid.”


Ibid.


Xiguang Li and Mao Wei, “Stay Vigilant about the Marriage between Public Media and Money and Business: The Dilemma of News Media Development Guided by Capitalist Logic,” CWCG, September 3, 2018, http://cn.cwzg.cn/theory/201809/44308. html#page-full [Original in Chinese]. The writers claimed that news media organizations have turned into “political participants, agenda setters, political mobilizers and the organizers of political activity. The phenomenon of ‘media as political party’ has emerged.” Li is a vice dean at the Journalism and Communications School at Tsinghua University.

Ibid. A well-known Maoist noted in 2016 that the editorial boards of the top news portals, Tencent, Sina, NetEase, Sohu, Baidu, and Phoenix, were all in the hands of people who had once worked for Southern Weekend. He remarked that “beginning in 2008, almost all newspapers, journals, television and broadcast media have been influenced by internet opinion, and are even led by it…this ensured that the opinion of the entire Chinese society is led by liberal beliefs.”

Ironically, crackdowns on liberal legacy media may have helped to spread the “contagion” effect by scattering their talent in the new media sector. For other accounts on the flight of liberal journalists to new media, see Ye Lu, Yajie Chu, and Fei Shen, “Mass Media,


Some researches do point to how the news portals had at least partly filled in the reporting vacuum left by the atrophy of commercially successful legacy media, until the tightening after 2015. A Hong Kong, mainland research team showed that in reality, journalists associated with the portals could, with some difficulty, “conduct most journalistic tasks without too many problems.”

Jiang Xue pointed to the same transient laxness in enforcement of restrictions against news reporting, showing that the major portals were for a time covering current events. An opinion surveillance report from 2016 identified one of the unlicensed major internet portals as having smuggled news reporting through streamed videos. That the portals were eventually forced to stop speaks to both the precariousness of the liberal position and the tireless pursuit of media freedom on successive generations of digital platforms. Wei Wuhui commented in late 2018 that new media are still addressing government abuses of power and holding liberal political conversations without obtaining administrative licenses and permits. See Sparks et al., “The Impact of Digital Media on Newspapers,” 199; Jiang, “My Learning and Thought Trajectory toward Becoming an Independent Journalist”; “New Media is the Source, Incubator and Solution to Political and Legal Flash Point Issues,” Zhejiang Public Opinion Web, February 7, 2017, [Original in Chinese]. The site directly briefs the Central Propaganda Department. It reposted an article from Legal Daily, a government newspaper; Wuhui Wei, “Who Do You Think of When Someone Mentions WeMedia,” 36kr, October 27, 2018 [Original in Chinese].

See endnote 108.

It seems that the costs of shutting down a dominant platform must be higher than those of closing newer or smaller firms. As illustrated earlier, the industries and firms surrounding digital censorship are extensive and lucrative, and must necessarily cost, in socially unproductive spending, more than what is used to fund the bureaucracy and the firms they tasked to rein in legacy media.


Weibo Shareholding Came to Light: Sina Holding Fell to 45.6%, Management Holding only 1%,” Sohu, May 9, 2018, [Original in Chinese].

According to a financial data research platform, YCharts, accessed on March 26, 2019, [Original in Chinese].


Examples include 王左中右 (Wang Zuo Zhong You), an influencer who ostensibly wrote about classical Chinese novels, and Leung Mangto, a Hong Kong writer with a popular internet show on culture. Also see endnote 13.


“Defenses and Breakouts by Local Mainstream Media in the Context of Internet Communication,” People’s Daily, August 14, 2018, [Original in Chinese].


Ibid.


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