

FREEMAN REPORT



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QUOTE OF THE MONTH

“The key of the Korean peninsula nuclear issue is denuclearization, and another important aspect is to maintain the peace and stability of the peninsula and northeast Asia...China and the United States have the same objective on the issue.” ~ Chinese

Vice Foreign Minister **He Yafei** speaking at a press conference in Beijing. Mr. He’s remarks were made in the run-up to the first U.S.-China Strategic and Economic Dialogue (S&ED) to be hosted in Washington, D.C. on July 27 and 28. According to Mr. He’s comments, China and the United States will discuss the resumption of the six-party talks and the peaceful resolution of the Korean peninsula nuclear issue during the first round of the S&ED.

Source: *Xinhua*, July 22, 2009

The Freeman Report provides an open forum for individual opinions and commentaries on China. All opinions expressed in the feature essay of the report are those of the author.

Feature Article

AFTER THE GREEN DAM VICTORY

Rebecca MacKinnon

It was a rare “kumbaya” moment. All kinds of people - Chinese and foreign - celebrated after the Chinese government succumbed to international and domestic pressure and announced the “postponement” of its edict that all computers sold after July 1st would have to be sold with “Green Dam - Youth Escort” censorware pre-installed. Industry insiders now expect the Green Dam mandate will be quietly scrapped or never enforced. It is important, however, to unpack exactly what happened, and why. A dramatic battle was indeed won, albeit it did not mark a reversal of the Chinese government’s broader Internet censorship efforts.

Billed as a child-protection software tool, “Green Dam – Youth Escort” is a piece of commercial software created by a Hangzhou-based company, Jinhui Computer System Engineering Co. In reality, it does much more than censor porn: it blocks a range of political content, plus transmits information about the user’s Internet browsing and other writing activities back to the software-maker’s headquarters.

Free speech and privacy issues aside, forcing all foreign and domestic computer manufactures to install one specific software product on all computers nationwide was arguably a violation of China’s own new laws against monopoly and anti-competitive practices – and possibly a violation of China’s market-access commitments under the WTO. But the problems did not stop there: Green Dam was not only censorware and spyware; it was also what security experts call “malware.” Three different groups of independent researchers – computer scientists at the University of Michigan, programmers at the Open Net Initiative, and an independent group of free-speech-minded Chinese technologists – all issued reports in which they found the software to be so badly written that it exposes computers running Green Dam to hacking and identity theft. Furthermore, it was what programmers like to call “crapware”: Green Dam does not even censor porn very well, letting many obscene images through while blocking pictures of cats, babies, and pigs.

The problems did not stop there: Green Dam also turned out to be “pirate-ware.” A California-based company, Solid Oak Software, alleged Green

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Dam stole some of the codes from its child-protection software, Cybersitter, and threatened to sue any U.S. computer company that installs Green Dam on its computers. PC manufacturers faced not only an ethical issue of knowingly aiding the Chinese government in censoring political speech; they also faced a corporate legal counsel's nightmare. By complying with the Green Dam mandate they would knowingly expose users to criminal hackers and invite legal battles over intellectual property. It was clearly in their interest to negotiate with the Chinese government to reverse the mandate. It was also an easy one for the U.S. government to oppose on trade grounds in addition to free speech grounds.

It also helped that Green Dam proved wildly unpopular with the Chinese public. It was ridiculed across the Chinese Internet as well as in a number of respected state-controlled media outlets like *Caijing* and the *People's Daily*. In addition to all the above problems which many Chinese bloggers found to be an international embarrassment, people suspected the software of being "crony-ware" if not outright "corrupt-ware." Not only was it viewed as a violation of consumer choice and free speech; it was also seen as incompetent software incapable of competing in the marketplace, whose creators have resorted to government-mandated monopoly as their path to success. The government had paid Jinhui Co. over U.S. \$6 million of the Chinese people's tax dollars on one year's unlimited usage rights. Numerous blog and chatroom postings alleged ties between Jinhui executives and top leaders. As well, several Chinese lawyers challenged the government's decision – without an open bidding process – to purchase one year's rights to the software and forcing it on the Chinese public. Efforts by the Communist Party's Propaganda Bureau to stifle criticism in the state-controlled media were not successful. Chinese media insiders say one reason for this is that Green Dam had plenty of opponents within the bureaucracy who quietly empowered and supported its critics in the media.

A number of bloggers, journalists, and human rights activists have declared that the Green Dam defeat proves that anything is possible if people try hard enough: unreasonable Chinese government mandates can indeed be overcome. Yes and no.

On the one hand, the Green Dam victory reminds us that Chinese policymaking – especially information technology policy – is a consensus-based process. There are conflicting interests and factions at work amongst the

IN THE NEWS

URUMQI ---- On July 5, Uighur rioters attacked the majority Han Chinese after police attempted to stop a protest over the deaths of Uighur workers in southern China. According to the official death toll, about 197 people died and 1,700 injured in the riots. The outbreak of the ethnic violence in Xinjiang has shaken China's view of itself as a "harmonious society." While the Chinese government has repeatedly claimed the riots were orchestrated by separatists working inside and outside the country, many have blamed the effectiveness of Beijing's ethnic policies. However, unlike the unrest in Tibet last year, the Chinese government appeared to have utilized savvy media strategy during the riots in Xinjiang. Despite their Internet censorship, the Chinese authorities have invited the mainstream media to report on the conflict.

BEIJING ---- The Chinese banking regulator has called on the United States and other developed nations to stop protectionism and resolve the problem of toxic assets. Liu Mingkang, chairman of the China Banking Regulatory Commission (CBRC), said in a recent speech that "toxic assets must be immediately resolved worldwide. Absent a radical carving off of toxic assets in one go, the picture will never be good." Liu also urged all mainland-based banks, and some overseas banks including HSBC and Citigroup, to increase their toxic-debt loan reserves by 150 percent by the end of 2009. His comments came amid growing concerns of a toxic loan fallout from China's stimulus plan.

different ministries, Communist Party departments, law enforcement bodies, domestic companies, et cetera. Foreign companies faced with unreasonable mandates and regulations should not assume that they have no choice than to obey. There is much that industry can do to influence not only how regulations are made, but also how (or whether) they are enforced. This would certainly not be the first time the Chinese government has dropped an ill-advised, unworkable edict after prolonged and patient industry lobbying: The Wall Street Journal's parent company, Dow Jones Co. managed successfully to convince the Chinese government to scrap an attempt to mandate that its content – along with Reuters, Bloomberg and other financial news services – must be sold in China exclusively through the state-run Xinhua News Agency.

The Green Dam victory is also an example of how

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public opinion and consumer sentiment are by no means irrelevant in authoritarian China: Companies wanting to win over the Chinese people's long-term brand loyalty are well advised not to be too quick to comply with regulations that anger consumers and which the public associates with corruption. Policies can fail and officials can lose their jobs when the Chinese public overwhelmingly turns against them - which is of course why the Chinese government spends so much time and effort on information control, manipulation, and censorship in the first place.

The Green Dam fracas demonstrates that even the Chinese government must be careful not to be simultaneously too blatant, excessively annoying to the public, obviously corrupt, and overly incompetent in the way that it implements censorship - or any policy for that matter. Publicly pressuring all foreign members of an entire industry to do something no other government has asked them to do makes an already unpopular policy even less likely to succeed. But this episode did not convince the Chinese government that censorship and surveillance are not worth attempting. Nor did it weaken the authorities' appetite for trying.

Since July 1st Google has been pressured to censor its mainland Chinese search engine (google.cn) much more thoroughly than ever before. Many of its international services such as google.com were temporarily blocked in punishment, and some of its services like YouTube and Blogspot remain inaccessible. In the wake of the unrest in Xinjiang, censorship on China's blogging platforms and chatrooms has increased. Blocking of a range of international websites, including Twitter, has also increased. Chinese companies such as Tencent, Sina, Sohu, and Netease, are under pressure to beef up their content controls. China's popular Twitter clone, Fanfou, was closed down soon after the Xinjiang unrest and has not re-opened as of this writing. A number of bloggers who have posted information on the Internet about local corruption scandals have recently been arrested.

The international spotlight has turned away from what is happening. One new tool in the censorship toolbox may have been disabled for the time being, but plenty more are being actively and aggressively deployed.

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PUBLICATIONS

- "China's Policy in the Wake of the Second DPRK Nuclear Test," *China Security*, Issue 14, 2009

By **Bonnie S. Glaser**, Senior Fellow, Freeman Chair in China Studies, CSIS

North Korea's May 2009 nuclear test has infuriated Beijing. Signaling its extreme dissatisfaction with North Korea's unrelenting defiance of China's advice and interests, Beijing voted in favor of a new UN Security Council resolution that includes tougher sanctions than the resolution passed following North Korea's first nuclear test in 2006. However, Beijing remains wary of both direct and indirect potential consequences of pushing North Korea into a corner. North Korea's second nuclear test and other actions have triggered an intense debate over China's long-term interests on the Korean peninsula and how to best protect those interests. Yet, it remains to be seen whether substantial adjustments will be made in China's policy toward North Korea.

- "The U.S.-China Strategic and Economic Dialogue," *Critical Questions*, CSIS, July 17, 2009

By **Charles W. Freeman III**, Chairholder, Freeman Chair in China Studies, CSIS

The United States and China will convene the first annual joint Strategic and Economic Dialogue (S&ED) in Washington on July 27 and 28. The S&ED represents the marriage under one umbrella of two earlier high-level dialogues begun under the George W. Bush administration. With Secretary Clinton's participation, the S&ED effectively raises the profile of issues formerly discussed at the Senior Dialogue to the cabinet level on the U.S. side. The article discusses what is and is not on the agenda at the upcoming S&ED. The author believes the S&ED will formally launch what is certain to be an intensive and sometimes intimate dialogue between the Obama administration and the Chinese government on a wide variety of issues.

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Publications from the Freeman Chair 2009*

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July

- “China’s Policy in the Wake of the Second DPRK Nuclear Test,” *China Security*, Issue 14, 2009. By **Bonnie S. Glaser**, Senior Fellow, Freeman Chair in China Studies, CSIS
- “The U.S.-China Strategic and Economic Dialogue,” *Critical Questions*, CSIS, July 17, 2009. By **Charles W. Freeman III**, Chairholder, Freeman Chair in China Studies, CSIS
- “U.S.-China Relations: Laying the Groundwork for Greater Cooperation,” *Comparative Connections*, CSIS Pacific Forum, July 14, 2009. By **Bonnie S. Glaser**, Senior Fellow, Freeman Chair in China Studies, CSIS
- “Chinese perceptions of U.S. Decline and Power,” *China Brief*, vol. 9, issue 14, Jamestown Foundation, July 9, 2009. By **Bonnie S. Glaser**, Senior Fellow, Freeman Chair in China Studies, CSIS, and **Lyle Morris**, Research Intern, Freeman Chair in China Studies.
- “The G-8 and Hu Jintao’s Absence,” *Critical Questions*, CSIS, July 8, 2009. By **Steven Schrage**, Chairholder, Scholl Chair in International Business, CSIS, and **Charles W. Freeman III**, Chairholder, Freeman Chair in China Studies, CSIS

April

- “U.S.-China Relations: A Good Beginning is Half Way to Success,” *Comparative Connections*, Pacific Forum CSIS, April 2009. By **Bonnie S. Glaser**, Senior Associate, Freeman Chair in China Studies, CSIS

March

- China’s Capacity to Manage Infectious Diseases: Global Implications, CSIS Freeman Chair in China Studies, March 31, 2009. Project Director: **Charles W. Freeman III**, Chairholder, Freeman Chair in China Studies, CSIS. Project Editor: **Xiaoqing Lu**, Research Associate, Freeman Chair in China Studies, CSIS
- *Critical Questions*: A “G-2” Summit? Barack Obama and Hu Jintao on the Sidelines of the G-20, CSIS, March 25, 2009. By **Charles W. Freeman III**, Chairholder, Freeman Chair in China Studies
- “Soft Power with Chinese Characteristics: The Ongoing Debate,” in *Chinese Soft Power and Its Implications for the United States: Competition and Cooperation in the Developing World*, ed. **Carola McGiffert**, CSIS, March 2009. By **Bonnie S. Glaser**, Senior Associate, Freeman Chair in China Studies, CSIS, and **Melissa E. Murphy**, Fellow, Freeman Chair in China Studies, CSIS
- *Smart Power in U.S.-China Relations: A Report of the CSIS Commission on China*, cochaired by **William S. Cohen** and **Maurice R. Greenberg**; directed by **Carola McGiffert**, CSIS, March 2009. **Charles W. Freeman III**, Chairholder, Freeman Chair in China Studies, CSIS, is a commissioner; **Bonnie S. Glaser**, Senior Associate, Freeman Chair in China Studies, CSIS, and **Melissa E. Murphy**, Fellow, Freeman Chair in China Studies, CSIS, contributed to the report.

Past Event

- **June 8** *Congress and the U.S.-China Relationship: Two key policymakers discuss their recent trip to China and their legislative agenda*

CSIS hosted a bi-partisan congressional dialogue featuring **the Honorable Rick Larsen** (D-WA) and **the Honorable Mark Kirk** (R-IL), Co-Chairs of the U.S.-China Working Group. **John J. Hamre**, President and CEO of CSIS, delivered opening remarks. The discussion was moderated by **Charles W. Freeman III**, Freeman Chair in China Studies, CSIS.

PUBLICATIONS

- “U.S.-China Relations: Laying the Groundwork for Greater Cooperation,” *Comparative Connections*, CSIS Pacific Forum, July 14, 2009

By **Bonnie S. Glaser**, Senior Fellow, Freeman Chair in China Studies, CSIS

After the completion of the first round of “get-acquainted” meetings aimed at laying the foundation for cooperation on a broad range of issues, the United States and China agree that the bilateral relationship has gotten off to a good start in this quarter. There is a shared sense that their futures are inextricably linked and that cooperation is essential to global economic prosperity and security. The groundwork has been laid for strengthened bilateral cooperation but the issues are complex and the challenges are significant.

- “Chinese perceptions of U.S. Decline and Power,” *China Brief*, vol. 9, issue 14, Jamestown Foundation, July 9, 2009

By **Bonnie S. Glaser**, Senior Fellow, Freeman Chair in China Studies, CSIS, and **Lyle Morris**, Research Intern, Freeman Chair in China Studies

The article provides insights into the lively debate in China of U.S. decline and multipolarity. As evidenced by the wide range of opinions, experts are far from reaching agreement on the core question of whether the United States is in decline. While the vast majority maintains that the prevailing international structure of power will not last, many also caution that the transition to multipolarity will be a prolonged process. The authors also addressed the absence of the discussion on how a multipolar system would operate and what role China would play in the new world order.

- “The G-8 and Hu Jintao’s Absence,” *Critical Questions*, CSIS, July 8, 2009

By **Steven Schrage**, Chairholder, Scholl Chair in International Business, CSIS, and **Charles W. Freeman III**, Chairholder, Freeman Chair in China Studies, CSIS

The authors addressed a series of questions in the run-up to the G-8 summit in L’Aquila regarding the absence of Chinese President Hu Jintao, as well as issues that were going to be most impacted by his absence. The authors argued that climate change and energy issues were central to this G-8, and without China’s participation, progress beyond rhetorical handshaking would be next to impossible.

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FREEMAN FACTS

Oil Facts in China

1. China produced 189 million tons of crude oil in 2008.
2. 15 million tons of crude oil are expected to be transported annually from Russia to China between 2010 and 2030.
3. In 2004, China used some 6.5 million barrels of oil per day and overtook Japan as the world’s 2nd largest user of petroleum products. The largest, the United States, consumes about 20 million barrels per day.
4. Between 1980 and 2002, China’s oil demand grew by less than 6% per year on average. In 2003 and 2004, demand spiked by 9% and 17%, respectively.
5. China’s dependence on imported oil grew from 30% in 2002 to about 50% by 2006. China accounted for 36% of the growth in global oil demand during that period, compared to 14% from the United States.
6. While China accounted for under 1/10 of global petroleum demand, it accounted for slightly more than 1/3 of incremental world oil consumption over 2002-2004.

Sources: Beijing Review, *China’s Rise: Challenges and Opportunities*, IEA, New York Times

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