

ANALYSIS OF INTERNET CENSORSHIP IN MAINLAND CHINA (THE GREAT FIREWALL)

LAHTI UNIVERSITY OF APPLIED SCIENCES Bachelor of Business Administration Degree programme in International Business Autumn 2019 Yuanyuan Huang Abstract

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Analysis of Internet Censorship in mainland China (the Great Firewall)

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Abstract

This study aims to discover the reasons behind China's Internet censorship, Internet situation in China and the Internet outside of China; Explore situations of foreign companies and Chinese companies doing business in China; How does this Internet situation impact on doing businesses.

This thesis is written deductively using both qualitative and quantitative methods as approaches, though mostly qualitative method.

This study is done theoretically by collecting literature reviews, comprising of book-based sources and digital materials. In the theoretical part of this study, the following areas will be covered: what the Great Firewall is, why does China censor its Internet, how Chinese and foreign companies run businesses in China and what inconveniences both companies face under this Internet censorship.

The results of this study indicate that reasons behind China's Internet censorship are complicated and sensitive, and that Chinese government should at least take it serious on figuring a better way for its people and enterprises to do business with the world under this Internet traffic.

Keywords

China, Internet, censorship, the GFW, business

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1 INTRODUCTION

1.1 Research background

By now, most people are aware that our world and especially the technology is changing and developing rapidly (Meurer 2017). Our daily lives are full of news coming up in every second, and this is closely aligned to one of the greatest inventions in human history – Internet, which has become an indispensable part of people's lives.

China is one of the world's leading and most active countries. However, its government has continuously censored foreign social media applications and websites such as YouTube, Google, Facebook, Twitter etc. since 2009 (BBC News 2010). This Internet censorship inside mainland China makes it impossible to access those social media and websites. To access the Internet, either finding alternatives for those or investing dependable technology like VPNs – Virtual Private Network (Marchetto 2019) which is an online tool that allows you to create a secure connection to another network over the Internet (Hoffmann 2019). Nevertheless, due to the restrictions of the Chinese government, it is getting more difficult to use VPNs and that makes it much harder to reach the Internet outside of mainland China.

This phenomenon has caused huge inconveniences for people who want to get in touch with the outside world or to know what is happening outside of mainland China. For instance, the thorough blockage of Gmail in 2014 made millions of emails unreachable for Chinese users which resulted in massive problems for foreign trades as well as for students studying abroad. (Yang 2015.)

Our world is digitalized, almost everything we do is based on the Internet – Calls, texts, reading online news, watching live streams etc. It has revolutionized communications and has turned our existence upside down. (Dentzel 2014.) Hence, it is contradictory for a rising country to ban those worldwide-used social media applications and websites since it influences China's development and relationship with the world – Both publishing and viewing online materials in mainland China

are affected due to the Internet censorship. To explore the reasons behind this Internet situation in China can make it clear as well as finding breakthroughs for the business world.

1.2 Objectives and goals

This subchapter claims the objectives and goals of this thesis.

Goals are general guidelines that explain what you want to achieve. Usually long-term and represents global visions. Objectives define strategies or implementation steps to attain the identified goals. Specific, measurable and have a defined completion date, more specific and outlines the "who, what, when, where and how" of reaching the goals. (State of Michigan.)

The objectives of this thesis are to examine Internet censorship in mainland China – The Great Firewall (Explain what it is and how does it work); Explore the current Internet situation in mainland China as well as Internet outside of China; Analyze how this Internet censorship affects businesses in China.

The goals of this thesis are to understand the reasons behind the Internet censorship in mainland China and the Internet outside of China; Understand how Chinese companies run business with the foreign companies in China, and situations of foreign companies – how do they do their business; Understand challenges (inconveniences) of doing business in China for both domestic and foreign companies.

1.3 Research question

A research question is a clear, focused, concise, complex and arguable question around which you center your research. It helps writers focus their research by providing a path through the research and writing process. (York university 2019.)

This thesis concentrates on three questions below:

- 1. Why does mainland China censor its Internet?
- 2. How do Chinese companies run business with foreign companies and what is the situation of foreign companies?

3. What are the challenges (inconveniences) for both companies under this Internet traffic?

1.4 Research methodology

This chapter gives information about definitions of research approach, data collection and qualitative and quantitative methods.

1.4.1 Research approach

This section defines what is research approach and how will it be used in this thesis. Research approach is a plan and procedure that consists of the steps of broad assumptions to detailed method of data collection, analysis and interpretation (Chetty 2016).

There are two types of research approach: Deductive approach and inductive approach. Deductive approach develops a theory and hypothesis (or hypotheses) and design a research strategy to test the hypothesis. Inductive approach collects data and develop theory as a result of your data analysis. (Saunders, Lewis & Thornhill 2009, 124.)

In this thesis, the author uses deductive approach to explore the reasons behind China's Internet censorship. Figure 1 shows the main differences between inductive and deductive approaches:

Deduction emphasises

- ••scientific principles, moving from theory to data
- • the need to explain casual relationships between variables
- • the collection of quantitative data
- • the application of controls to ensure validity of data
- the operationalisation of concepts to ensure clarity of definition
- • a highly structured approach
- • researcher independence of what is being researched
- • the necessity to select samples of sufficient size in order to generalise conclusions

Induction emphasises

- • gaining an understanding of the meanings humans attach to events
- ••a close understanding of the research context
- • the collection of qualitative data
- • a more flexible structure to permit changes of research emphasis
- ••a realisation that the researcher is part pf the research process
- ••less concern with the need to generalise

Figure 1 Major differences between deductive and inductive approaches to research (Saunders et al. 2009, 127)

1.4.2 Data collection

Define Data Collection: A process by which the researcher collects the information from all the relevant sources to find answers to the research problem, test the hypothesis and evaluate the outcomes (Business Jargons 2018).

The types of data generated by participant observation as "primary", "secondary" and "experimental". The data that you collect depend on your research question(s) and objectives which have given a focus to your observation.

Primary observations are those where you would note what happened or what was said at that time. Secondary observations are statements by observes of what happened or was said and this involves those observers' interpretations (Saunders et al. 2009, 296).

This study is based on both primary sources that refer to what happened or said and secondary sources which are statements by observers of what happened or said.

1.4.3 Qualitative and quantitative methods

Research on the large scale is an important part when operating business, whether the research is for determining the future trends of a company or finishing a topic that your senior asks you to do. When it comes to academic level, for instance, writing an assignment or any paperwork, similarly, appropriate methods are required to complete the paperwork

Qualitative method is used predominantly as a synonym for any data collection technique such as an interview or data analysis procedure such as categorizing data that generates or use non-numerical data. Quantitative method is predominantly used as a synonym for any data collection technique such as a question-naire or data analysis procedure such as graphs or statistics that generates or uses numerical data. (Saunders et al. 2009, 151.)

In short, qualitative method is based on real cases, using quotes and short extracts to conclude while quantitative method is a variable-based method comprises of questionnaires and statistics such as graphs, tables, etc. This study is done mainly by qualitative methods as it applies interviews and data analysis rather than questionnaires. Nevertheless, quantitative methods are also used to demonstrate numerical data to make the thesis more cogent.

Below are four similarities between these two methods according to Francis (2019):

- 1. Participants are necessary
- 2. Tools of measurement
- 3. One can be the foundation for the other
- 4. Both produce data to analyze

1.5 Thesis structure

This thesis consists of five chapters as its main body, with six figures and six tables included as well as references and appendices at the end. Synopsis of each chapter is as follows:

The first chapter as the introduction part clarifies all the fundamental phases that are applied in the thesis – Research background, objectives and goals, research questions, research methodology and thesis structure which is now being indicated. The second chapter gives information about the Internet censorship in China and Internet outside of China. The third chapter analyzes China from its economic, legal-political and scientific-technological prospective. The fourth chapter illustrates how Chinese and foreign companies run businesses and challenges for both companies under the Internet traffic in China. Finally, the fifth chapter is the conclusion part and a close to the body of this thesis.

Figure 2 is a flowchart of this thesis structure. The thesis is evidently written with all the sources cited and referenced.



Figure 2 A flowchart of the thesis structure

2 THEORETICAL BACKGROUND - INTERNET IN MAINLAND CHINA

This chapter gives information about the role of the Internet and Internet censorship in mainland China together with an analysis of the Internet outside of mainland China.

2.1 Role of the Internet

The Internet is made up of an incredibly large number of independently operated networks. What is interesting about the system is that it's full distributed. There's no central control that is deciding how packets are routed or where pieces of the network are built or even who interconnects with whom. It was a result of another experiment called the ARPANET which stood for Advanced Research Project Agency Network.

Vint Cerf

According to Cerf (2016), the Internet was initially a result of a project "ARPANET" (Advanced Research Projects Agency Network) done by him together with his colleagues. However, it has now become something that has changed our lives tremendously and that people can barely live without it. It is fully distributed, for example the instance that we use various types of social media to transmit data and this is globally connected. It is impressive how the formation of singular datum influences the world and how the Internet democratises information, communication and learning.

One solution to measure how big is the Internet – It is about five Exabyte per day which is equivalent to 40,000 two-hour movies per second (Sample 2018). More than 40% of the world's population is connected to the Internet when it was less than 1% in 1995 (Internet live stats 2019). Internet itself is indeed revolutionary technology but it all depends on how we use it –Our desire and goals.

Positive uses of the Internet can make it simple and easy for our lives. For example, searching for information that we need, receiving up-to-date news from television, smartphones or other devices, watching a movie for entertainment, and some students use the Internet to attend online courses or do homework, etc. Internet has made our lives much easier and more convenient in many ways.

Meanwhile, it could also go opposite when it's wrongly used. It is surprisingly common that the dark side of the Internet plays a role in our daily lives —Underhand dealings, violence incitation, terror attack, unhealthy videos/blogs especially for teenagers, etc.

Figure 3 shows the structure of the Internet. The iceberg is a metaphor for the Internet, the tip (10%) is the so-called Surface Web, the digital territory we know through search engines. While the submerged part is the Deep Web, accounting for 90% and this represents contents that are either not indexed by search engines or contents of criminal nature. (Giorgio Di Noto 2019; Routley 2017.)



Figure 3 The structure of the Internet (Routley 2017)

Below are four of the roles of the Internet:

- 1. The Internet has become a significant local source
- 2. The Internet is a key source for peer-generated information
- 3. The five topics for which the Internet is the most relied upon source (Restaurants, clubs and bars; Other local businesses; Local schools and education; Local jobs; Local housing and real estate)
- 4. The website of local newspaper and TV stations do not rank highly

The pie chart (Figure 4) shows the percentage of people using the Internet in specific areas, resulted from a survey with 251 adults aged 18 and older included.

(Pew Research Centre 2011.)

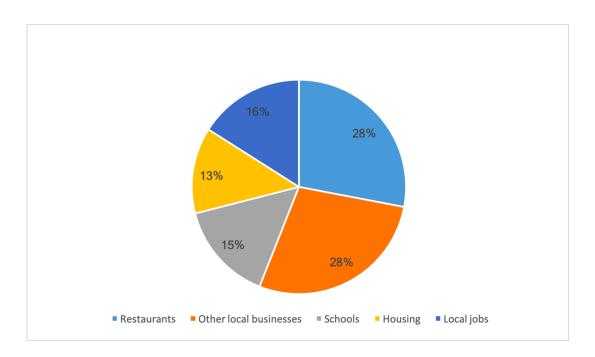


Figure 4 The local topics for which the Internet is the top source (Pew Research Centre 2011)

The role of the Internet seems complex. We can see from the pie chart that equal amount of people uses the Internet to search for restaurants and some local online business, with the same percentage of 28% while the rest are looking for schools, housing and local jobs. The Internet has been a source to different areas, and it

has become irreplaceable for both local sources and peer-generated sources. Since this extract was from 2011, it is undoubtedly to infer that it has been even more vital to both sources mentioned above at present.

Another aspect is the use of the Internet. So far, we have been familiar with the role of the Internet, however, it is still unclear about how people utilise it specifically.

Here are the top 10 uses of the Internet extracted from Tech Boomers (2016):

- 1. Email and personal communication
- 2. Social network and mass communication
- 3. General research
- 4. Information about hobbies and interests
- 5. News
- 6. Shopping
- 7. Watching videos or listening to music
- 8. Playing games
- 9. Banking
- 10. Searching and applying for jobs

Based on the ranking, we can see that people tend to use the Internet mostly for communicating (socializing) and then comes up with researches, reading news, online shopping, etc. The Internet has surpassed the real world in many cases, thus a great many people raise concerns about whether the Internet would be potentially a big threat to humanity or not. Scientist are well-acquainted with the risks that the Internet might threaten the existence of human beings and in fact it has already taken places in many fields, yet there is no sign of decreasing the use of it.

As our society goes internationalized and digitalized, doing business online is nothing irregular anymore. The concept "digital marketing" refers to the promotion of products and brands among consumers, through the use of all digital media and contact points (Cocco 2016, 9). Digital marketing is occupying the web, the concept is simple—The more we consume, the more we generate. A survey from 2018 showed that businesses made an average of 2 USD for every 1 USD spent on Google Ads (Standberry 2018).

2.2 Internet censorship in mainland China

Definition of the Great Firewall

The Great Firewall is the digital border that divides China from the rest of the world. It is laden with inefficiencies and a series of filters; It slows the Internet traffic to a crawl as it travels into and out of China. (Mozur 2015.) It is an operation by the Chinese government to censor foreign social networking sites with the access to China's web. For instance, Facebook is blocked in China, so people use WeChat as an alternative. Though the eastern and western world are inextricably interwoven, borderless digital communication is still under restrictions.

1. What is it about?

Based on the definitions given above, in my opinion, the Great Firewall is about censoring inaccessible content. Governments around the world are scrambling to figure out how to deal with harmful contents online, whatever they think it is (Huang 2019). China is not an exception, the Chinese government controls the Internet connections into and out of China, this means that many of those popular and widely used social media and websites based on the western world are not able to use in mainland China.

The GFW can monitor and/or block access to those websites and information the authorities consider problematic. There are officially approved VPNs, they must be provided with the users' traffic to the Chinese government or perhaps even with the backdrop access. (NordVPN 2018.)

Some can go through the GFW as they are not based in China, so the Chinese government has no right to regulate. However, new regulations were released in 2018 by the Chinese government, and these new regulations seem like a threat to ban all VPNs. Yet it has not been clear how strict the rules would be implemented to ban companies and consumers from using VPNs. (Reuters 2018; Choudhury 2017.)

2. How does it work?

All the websites around the world need to go through the "gateways" when entering Chinese networking, with technical tricks can China manipulate the Internet traffic, so China decides whether to censor it or not.

Figure 5 shows the six technical tricks that China uses to censor its Internet: DNS poisoning; Blocking access to IPs; Analyzing and filtering URLs; Inspecting and filtering packets; Resetting connections and Blocking VPNs. (Hoffman 2017.) For instance, IP Blocking and Key Word Filtering are two of the most typical tricks China uses among all (Illic 2010).

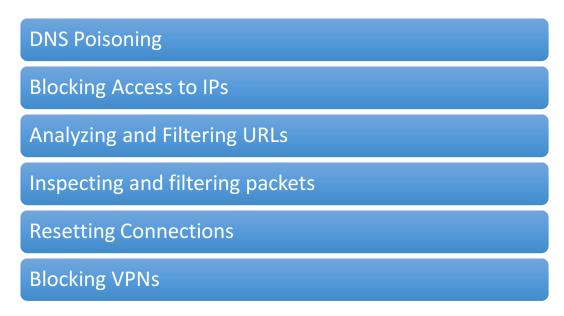


Figure 5 Tricks China uses to censor its Internet

DNS Poisoning: DNS is short for Domain Name System, a distributed system that resolves hostnames into IP (Internet Protocol) addresses using a series of questions and their returned answers. DNS Poisoning is a type of attack that exploits vulnerabilities in the domain name system to divert Internet traffic away from legitimate servers and towards fake ones.

Blocking Access to IPs: Controls what people upload from the Internet. IP (Internet Protocol) is what every computer/laptop has as its own address. When

the monitors detect something that are not complied with the Inter-net law, everything from that computer is blocked.

Key Word Filtering: When it comes to people download things from the Internet, the government can scan what you type in there and you will get "error" or "Page Not Found 404" shown on your screen when searching sensitive words.

Analyzing and Filtering URLs: URL (Uniform Resource Locator) is a web address. The process means that the Firewall can scan URLs and block connections if they contain sensitive keywords.

Inspecting and Filtering Packets: To examine unencrypted packets, looking for sensitive content.

Resetting Connections: After blocking such packets, it will block communication between both computers for a period of time.

Blocking VPNs: The Great Firewall identifies the encryption of VPNs and kills their connections.

Purpose of the Great Firewall

Regulations regarding the Internet in China are made to: Ensure the operational security and information security of the Internet; Promote the elimination of harms; Promote healthy development of domestic Internet; Safeguard national security and public social benefits; Protect legitimate rights of individuals, legal persons and other organizations

- The National People's Congress of People's Republic of China (2000)

Apart from the official reasons given by NPC, below are some opinions of netizens collected from an online platform regarding the purpose of the GFW (Note that these are not official answers given by authorities or any governmental representatives but only answers from netizens):

- 1. Not so much for economic reasons
- 2. More of controlling sensitive information
- 3. Blocking pornography as well as the political motives

- 4. More than just content blocking, it is very much about monitoring what people are trying to reach online and population control of what they call "stability"
- 5. A tool to separate China apart as "feet" and "head", where "feet" stands for the normal majorities that only need to live in their lives without knowing what is happening outside, and "head" are those who have the ability to know the real world so they lead the "feet". Each performs its own functions, running just like a machine so that it could work well after all.
- 6. The main purpose is to prevent Chinese people from reading about topics, opinions and news that the central government doesn't want them to know.
- 7. Controlling suppressions

There was one anonymous mentioning that the US did similar things but in a comparatively subtler way compared with China's. For instance, with WikiLeaks the US did not block the Internet directly but delisted it from their Domain Name System (DNS) and pressured companies to stop financial arrangements, which was less blatant and fewer people would notice. (Quora 2018.)

From my own prospective of view, there are deeper reasons other than those. First, like the NPC claimed that the Internet regulations are to protect the domestic Internet development. One big reason why the Chinese Internet industry can grow rapidly within such short period of time, becoming the world's second largest Internet and new economy country other than the US, the Great Firewall has played quite an important role in addition to elites, capital, technology, markets and some other factors. Without the shield of the "walls", Chinese companies would get beaten at the very first place by those giant American companies who had already had a big and mature market in the world back then.

Plus, they might not have been able to grow fast and smooth even if they could survive the market's competition. Therefore, it is hard to imagine what kind of ecological structure China's Internet market would be today without the Internet censorship, it could be possibly no chance for China to speak a word in the new Internet economy and the international competitiveness to China would have not been discussed after all.

Second, politics and society. The centralization of China and its political system is different from the western world despite of all. For most western countries running under democracy, Internet freedom and the system itself can positively form an interaction as democracy itself needs public opinions to guarantee system's operation. In addition, different political forces also need public opinions to express or promote their own political stands. Hence, the Internet as a platform and a tool for clarifying political stand(s) as well as expressing public opinion can exist harmoniously under the system of democracy.

Whilst in China, the country under the socialist centralization, its understanding towards political stand and public opinions are determined upon traditional Chinese political culture and Marxism-Leninism. The internal logic of this system asserts that the ruling party has already represented the interests of their people and the socialist core value system are guiding ideology of Chinese legislation (Li 2017), social media including those public opinion platforms are just a mouthpiece of the ruling party and they are the only public opinion that represents their people's interests, and that voices outside of this system are relatively untrustworthy.

Third, national security, mainly considering the security of enterprises and news/information. This is the aspect that everyone understands crystal clear. A typical example is the trade war between China and the US especially in the case of HUAWEI, a centerpiece in the escalating trade dispute between China and the US (Reiff 2019). The US Justice Department unsealed indictments including 23 counts pertaining to the trade secret theft of intellectual property (Al-Heeti 2019). The US insisted that HUAWEI has helped the Chinese government to steal users' secrets and spy on them, to some extent, it also implies that this is what they have been doing all the time.

2.3 Internet outside of mainland China

The Internet is a crucial medium where people can express themselves and share ideas. It has become an undoubtedly important tool through democracy and human rights activists mobilize and advocate for political, social and economic reform.

The non-governmental organization Freedom House released the report "Freedom on Net 2018", in the report it mentioned that global cyber freedom has declined—"Of the 65 countries assessed, 26 have been on an overall decline since June 2017, compared with 19 that registered net improvements", some countries were moving towards digital authoritarianism but China was once again the worst abuser of Internet freedom in 2018. (Shahbaz 2018.)

Even though the degree of the Internet freedom has declined, for most countries, they can still use social media such as Facebook, Twitter, YouTube, etc. This is about the degree of Internet censorship which varies from one country to another. As it is known that China has the strongest degree among all, likewise there are 9 countries that are enforcing a high degree of their Internet censorship other than China—Cuba, Saudi Arabia, Vietnam, Ethiopia, Syria, Somalia, Iran, Eritrea and North Korea (Kiprop 2018).

Yet apart from these countries, the rest countries in the world are mostly free using the Internet. However, freedom of the Internet doesn't mean that governments do not control over the Internet. In fact, necessary management of the Internet in accordance with laws and regulations is implemented in all countries, though it is enacted by different regions, states and organizations.

Take the US as an example, the country claims to have the "freedom of the Internet", however, has never kept the Internet in sparse. In fact, the US implements the most efficient and mature way of monitoring the Internet through multiple channels. They are the most executive country in this field both strategically and technically. After the September 11 attacks, anti-terrorism and ensuring national security have become top priorities. If any content on the internet might cause a threat to their national security, it will be strictly monitored automatically in order to prevent any possible terrorist attacks.

According to The Patriot Act and the Homeland Security Law of the USA that public information on the Internet, including private information can be monitored if necessary. (A&E Television Networks 2017; Public Law 107-296-NOV.25 2002.) Moreover, in terms of legislation, since 1996, the US has passed laws such as the Communications Decency Act (CDA), Child Online Protection Act (COPA) and

The Children's Internet Protection Act (CIPA) to restrict pornographic website especially for the underage (Harvard Law Review 2018; Infoblox 2019).

There are many other factors apart from those, the point is that there have always been laws and regulations to control over the Internet, every national government has developed a series of policies and "walls" to protect their own network. Nonetheless, besides the 10 counties mentioned above, the rest countries do have relatively more access to social media and websites.

2.4 Short summary

China does not only have the Great Wall to protect itself from invaders for more than 2000 years, but also the Great Firewall which is the biggest digital border in the world. It is not appropriate to tell a one-side story after all. Chinese blogger and journalist, Anti (2012) stated that a China is complicated. Chinese Internet censorship is to defend China's regime from the universal value as well as preventing people inside mainland China to access the censored social media and websites.

China is a "SICK BRIC" country where SICK stands for Syria, Iran, China and North Korea, the four countries in the world that have no access to Facebook, and BRIC represents Brazil, Russia, India and China the four emerging economy countries.

- Anti

This is contradictory, on the one hand, China is the least open country when it comes to global free Internet. On the other hand, it is the most active country in to-day's world economy.

There are two Internets—the Internet and the China-net, but the China-net is nothing horrifying that slows down the development of the country, instead, China is booming. China has censored all the international and globally-used social media and "cloned" all of them, simply by creating Chinese versions of Google—Baidu, YouTube—iQiYi, Twitter—Weibo, WhatsApp—WeChat, etc. (Toor 2012.) 500 million Chinese Internet users is a strong evidence that China is not a dead land, in fact, the China-net makes it a harmony and safe place for the biggest population of netizens group to live on and Chinese net users are satisfied with the Internet for its security. A survey of Network Security Satisfaction in 2018 shows that 65% of

netizens are quite satisfied, with a score of 3.26 out of 5 (Network Security Satisfaction Survey Report 2018).

It might seem too extreme for some countries that the way Chinese government controls the Internet, censoring it at such high degree. Nevertheless, I find it smart under all that. The fact is that China and Chinese people are living great without those censored social media applications. Everything involves Chinese regulations.

For instance, Weibo was founded one month after the blockage of Twitter, this implies that the founder of Weibo had convinced the Chinese government before officially releasing that they will not become the stage for any kinds of threat to the regime. Weibo makes it more transparent for the Chinese government since they have no access to the data but only the server in Beijing does, and it has also become a place of rumors as if we were living in the US, yet no fake coup about Beijing or you will get arrested. Therefore, this "freedom" does exist, but in a Chinese-precise way.

3 COUNTRY ANALYSIS – CHINA

This chapter gives a brief analysis of China from its economy, legal-politics and technology prospective.

3.1 Economic

With a population of 1.4 billion, China is the world's second largest economy (Moore 2011), China has witnessed significant growth in its economy since 1978 (Purdy 2013). China has been doing great since the past a few decades, impressing the world with its voice. It has contributed around 30% of global growth in the past eight years, yet the market reforms are not complete enough—Its income per capita remains it a developing country and only about a quarter of the average of high-income countries. A recent survey shows that the Chinese economy has been in a decreasing trend, a slowdown is expanding at the slowest pace since the early 1990s, the US trade war and domestic issues are putting a brake on China's rapid growth. (Costa A 2019; The World Bank 2019.)

To figure out what happened to China's economy, a brief review of Chinese economy history would make it clearer.

Chinese revolution was based on Marxism (Woods 2019). According to Encarta Reference Library, Marxism is defined as "a theory in which class struggle is a central element in the analysis of social change in Western societies" (Murdock 2009). It is summed up as the antithesis of capitalism (All About Philosophy 2019). Basically, Marxism considers capitalism as inherently contradictory.

From 1998 to 2002, China has maintained sustainable economic growth with low inflation (Xie 2004, 1). Figure 6 provides data from China Statistical Yearbook (2002) in Real GDP Growth: 7.8% in 1998, 7.1% in 1999, 8.0% in 2000, 7.3% in 2001 and 8.0% in 2002. To conclude from the statistics, Chinese GDP was fluctuated but remained relatively stable during those five years (Lin 2003, 14).



Figure 6 Main macro indicator of Chinese economy 1998-2002

Yet, the beginning of Asian economic crisis was superimposed on the layoff of China, that China was having troubles with national enterprises and own economy itself, and this big country was trapped by both internal and external difficulties back then, people were barely holding positive attitudes towards China's economy situation. With the joining in World Trade Organisation (WTO) in 2001, China became the 143rd member of WTO and had finally opened itself to the world again and therefore started to be part of the international market family, which made it a great success to China's economy (World Trade Organization 2001).

Between 2003 and 2012, China's economy increased dramatically, especially in terms of its GDP. Figure 7 shows China's GDP from 1978 to 2012 extracted from Purdy's (2013). In the chart, from 2003 and onwards until 2012, China's GDP increased within high acceleration. Moreover, according to the Organisation for Economic Co-operation and Development (OECD), China's economy was booming with a rapid expansion of trade and deep structural change (Herd, Koen & Noord 2011, 4), such as the prosperity of exporting industry, real estate, infrastructure, etc.

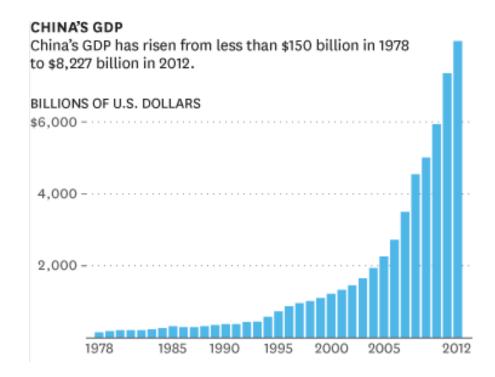


Figure 7 China's GDP from 1978 to 2012 (Purdy 2013)

Nonetheless, being the fast-economic growth country and a major contributor to the world's economy didn't help China escape from the financial crisis in 2007-2008 (Morrison 2009, 1). On the trade front, China's exports were badly hit as the financial crisis got intensified (Whalley, Agarwal, Cai, Dong, Tian & Wang 2009, 6), that China's exports turned down sharply, the export industry was in a negative growth.

At the beginning of 2009, this export situation became even worse, it fell 17.5% in January and 25.7% in February which was the worst performance in a decade (Whalley et al. 2009, 6), resulting in a dramatic fall of the industrial production and a large number of medium-sized export companies had to shut down, there was a huge trend of unemployment running over especially alongside the coastal area.

Slowly recovering from the financial crisis, in 2015, China's GDP per capita was slightly more than 8,000 USD (8033.388 USD). This meant huge since the GDP per capita was not even 4,000 USD (3832.236 USD) in 2009 (World Bank 2018), the number was more than doubled within 6 years. Some scholars are optimistic

about China's economy situation, for instance, Chinese economist Lin once predicted that China's GDP per capita could possibly reach at around 12,700 USD in the year 2020, becoming one of the high-income countries (Yang 2016).

However, a high-income country is not equal to a developed country but might also be classified as a developing country (UNCTAD 2005,10). In my opinion, there are three dimensions to see China's economy: First, demographic factor, which means the labor supply and consumption demand. Second, structural factor, accounting for the degree of matching between production factors. Third, environmental factor, referring to global economic situation.

The "quality" of China's GDP is low. China relies too much on investment, which is an obvious difference from other high-GDP countries. This also indicates that the rapid growth of China's economy is based on a high level of national saving rate, that Chinese citizens rather save more money than spending, because only with a high saving rate could possibly result in a high investment rate, but it doesn't necessarily contribute to a good quality of economic growth with this high reliance on investments.

Figure 8 shows the Chinese change of industrial output in a decade, we can see from the chart that China's economic growth is currently at the lowest point in 2019, with a number of 4.4%. However, this doesn't stop Chinese people from purchasing luxury goods. Chinese people are still spending a huge amount of money on luxury goods, but situation may change soon that they will choose to stay in China to buy those luxury goods or just do online shopping at home instead of going abroad (Arcibal 2019), in this way can they can save some money on hotels, flight tickets, etc. McKinsey & Company's (2019) reported that Chinese consumers will account for 40% of global spending on luxury goods even though luxury goods are much more expensive in China than that abroad (Duncan 2019). What's more, even under the trade war happening between the US and China, the Chinese market still demands high for luxurious goods among luxury companies from the US and Europe.

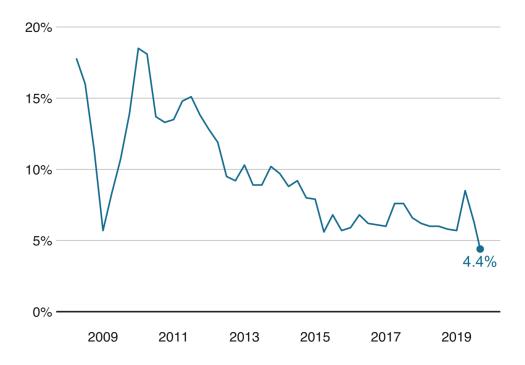


Figure 8 The decline of Chinese industry

3.2 Legal- Political

Please note that this sub-chapter only contains two paragraphs as the main body, introducing basic legal system and political situations in China since the author does not talk about sensitive political issues but only stating Chinese legislations and political policies that have been published.

The prominent feature of the Chinese politics is the unified system centred on the central government. That is, the central government has the greatest and absolute power to make the final decision on its vast territory, people, fields and other aspects in which it resides.

- Zhou (Zhou 2017, 9)

The People's Republic of China is a socialist country run by a single party, the Communist Party of China, headed by the General Secretary.

- South China Morning Post

Government, the military society and schools, north, south, east and west – the party leads them all.

Xi Jingping

The legal system of the People's Republic of China (PRC) is defined by the government as a "socialist legal system" that is based primarily on the model of Civil Law and the Constitution of the People's Republic of China is the highest law within China. There are four levels of the courts systems in China, Figure 9 below shows the details. (Library of Congress 2016.)

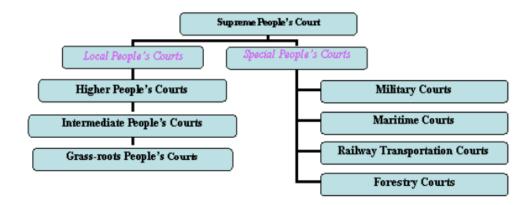


Figure 9 Levels of court systems in China

China along with countries like Singapore have looked to the west for guidance on how to create capitalism but they've been much less interested in adopting western models of governance (Green 2015).

The Chinese state is very efficient and has presided over an incredible transformation both economically and socially during the past 30 years. Kroeber talked about China's political system in his book China's economy: What Everyone Needs to Know, stating that "China is a bureaucratic-authoritarian one-party state, in principle highly centralized but in practice substantially decentralized". (Kroeber 2016, 1.)

Though China is not a highly bureaucratic country, with a score of 2.45, China is defined as one of the medium scoring countries (Hydem, Court & Mease 2003, 12). In fact, Chinese bureaucracy provides a stable and organizational foundation for its national governance, a country of more than five thousand years' history has proceeded such historical and mature system which is a unique phenomenon of Chinese civilization.

In my opinion, it is an organisational form and concrete embodiment of state governance. Yet it is complicated for a giant country with 56 minorities and 1.4 billion population running under a resilient political system. Especially in terms of the Internet, China has so far done much about it. Even though China has been censoring the Internet for many years and making it the most difficult country to access for foreign social media applications, the Internet has also been a huge platform for China to step out its feet to the world, likewise with China's politics.

First, the Internet has played a vital role in promoting political liberalization, especially for Chinese government that it makes the government more open, accountable and transparent. Second, the Internet has had huge impact on Chinese society and has somehow superseded the Chinese government's power by high dispersal and beyond the limits of the government. Third, the Internet has created a new infrastructure for the contract and separation between the Chinese government and society and therefore reshaped the interaction for both.

3.3 Scientific & Technological

In recent years, China's economy and social development has achieved tremendous progress. Besides that, China has also made significant achievements in its science and technology, such as Huawei 5G, Supercomputer, Germline genetically babies – Lulu and Nana, Artificial Intelligence (AI), Five-hundred-meter Aperture Spherical radio Telescope (FAST), etc. (BBC News 2019.)

Chinese politician and former paramount leader Deng Xiaoping quoted that "Science and technology are primary productive forces" in 1988 (Faison 1997; China Daily 2008). As the primary productive force, China's value of science and technology has gained bigger attention increasingly.

Early in 2009, China already became the largest high-tech export country in the world, surpassing the US, EU-27 and Japan (Details shown in Figure 10) (Meri 2009, 1). In addition, according to Wan (2018), Minister of Science and Technology of China, China has built a technical system to cope with heavy pollution – The Yangtze River Delta and the Pearl River Delta; Ultra-superficial power plants which is nearly Zero Energy Buildings (nZEBs); Zero-emission electric vehicles

and the upgrades of conventional vehicles have all made contributions to the battle for the blue sky and China has been the first country worldwide to win the battle against desert expansion. (Wan 2018.)

Nevertheless, despite these impressive achievements China has made in technology and science fields, it is full of difficulties for Chinese technological companies in attaining sophistication in new technology. This is mainly because they lack in necessary capabilities, which also leads to price wars, patent infringements and upgrading to more advanced technology. (Cao 2004, 2.)

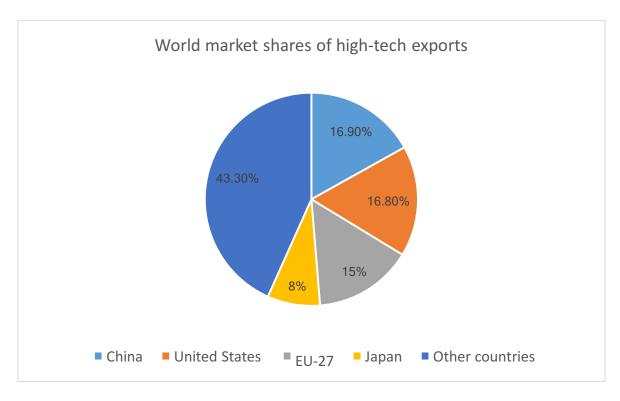


Figure 10 World market share of high-tech exports (Meri 2009)

Here are some opinions extracted from a video interview of six academicians of the Chinese Academy of Sciences towards the current situation of China's science and technology development:

In major science and core technology, we are basically still learning from foreign countries, improving and further inheriting the new stage of innovation

Xue Qikun

After 30 years of hard work, it should be said that we have achieved a place in high-tech field of the world and reached the world's average

- Wang Yifang

Widely speaking, our country is backward in the research and development of instruments no matter which science field. Although some individual instruments are better or even surpassing others, generally, we are backward

- Teng Jiwen

In the report of the Fund Committee, if we use the discipline of chemistry to compare with other disciplines, then we have the smallest gap from the international level. However, there is still a gap, and the original things are still a little less

Zhou Qilin

Now that we value science, technology is also developing, but there is still a lot of work to do on how to use the results of scientific research to further advance the technology

Chu Junhao

I think that we still haven't paid enough attention. Chinese people are not lazy or stupid, especially now that we do not lack of money, so we have both objective and subjective conditions. If we could pay more attention and strengthen this aspect, we can do it well

- Liu Jiaqi

(Shi 2019.)

Based on the six academicians' quotes, China has won a place in high-tech field, but in the meanwhile, it is backward in the research and development of scientific and technological instruments. According to Professor Xue (2019), the proportion of Chinese investment in scientific research accounts for the ratio of GDP is relatively lower compared to foreign countries.

There are multiple reasons to the current situation of China's technology and science, both externally and internally. Personally, I think the biggest reason among

all is the lack of time. Although China has been improving itself constantly, the time for actual investment on basic researches and core technological studies has not been long and it is far greater than most people recognize (Jun 2018). Like an old Chinese saying, "Eat hot tofu slowly", everything takes time. Chinese economy has been growing too fast the past 30 years, much previous research on economic development suggested a significant role for capital investment in economic growth (Hu & Khan 1997, 3) that it might have caused a consequence of not paying enough attention to the fundamental researches as well as core studies in science and technology area.

Technology and science innovation have become the critical forces and sharp weapons to support the national development and safeguard the national security in China (Xu 2018, 20), and I believe this is not only for China but for every country. Technology plays the role of modernization (Irrgang 2007), Chinese technological achievements have attracted worldwide attention and have become something huge and crucial.

Nevertheless, because China's economy had been growing too fast within relatively shorter time, and it is still in the process of climbing up, therefore, now that the problem has accumulated seriously that it is more or less a natural situation for science and technology field being less superb than the economy, since China had been focusing more on its economy over science and technology during the past a few decades. Hence, the economy did get up, but technology & science field somehow got lagged.

An example would be country's spending on Research and Development (R&D). Any country should have a proper plan on its funding distribution and proportion, this is how a country should manage its own budget and specifically in which field. Figure 11 shows that China's spending on R&D was 2% in 2018 while it was 2.7% for the US, 2.9% for Germany and 3.4% for Japan. A chart below shows the R&D spending by country, we could see that China's R&D was lower compared with those so-called developed countries. (UNESCO Institute for statistics 2019.)

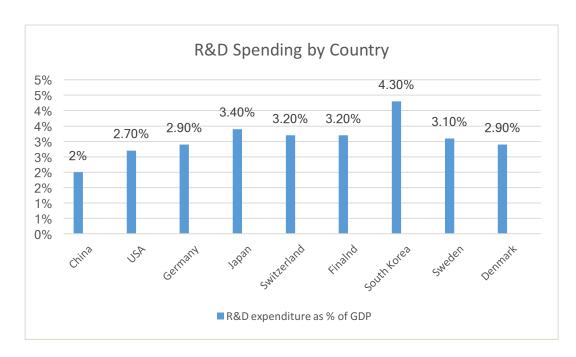


Figure 11 R&D Spending by Country

4 BUSINESS MODELS - CHINESE AND FOREIGN COMPANIES PROSPEC-TIVE

This chapter illustrates business models of Chinese companies as well as business situations for foreign enterprises in mainland China.

4.1 Business models

A business model describes the rationale of how an organization creates, delivers and captures value (Osterwalder & Pigneur 2010,14). Osterwalder and Pigneur (2010, 15) stated that a business model can be defined with The Nine Building Blocks that describe how a company intends to earn profit (See Figure 12 and definitions below).



Figure 12 The Nine Building Blocks

The Customer Segments Building Block defines the different groups of people or organizations an enterprise aims to reach and serve.

The Value Propositions Building Block describes the bundle of products and services that create value for a specific Customer Segment.

The Channels Building Block describes how a company communicates with and reaches its Customer Segments to deliver a Value Proposition.

The Customer Relationships Building Block describes the types of relationships a company establishes with specific Customer Segments.

The Revenue Streams Building Block represents the cash a company generates from each Customer Segment (cost must be subtracted from revenues to create earnings).

The Key Resources Building Block describes the most important assets required to make a business model work.

The Key Activities Building Block describes the most important things a company must do to make its business model work.

The Key Partnerships Building Block describes the network of suppliers and partners that make the business model work.

The Cost Structure describes all costs incurred to operate a business model.

Business Model Generation

(Osterwalder et al. 2010, 20-40.)

Yet, The Nine Building Blocks exsoncept is considered as the most comprehensive template and that the term Business Model should be defined on how people are using it (Ovans 2015). In short, I think a business model simply means how an enterprise plans to make its money based on the enterprise's own situation.

China is a country whose values and systems are still largely misunderstood by most casual western observers (Kittaneh 2017). Huang (2017), a senior fellow at the Carnegie Endowment for International Peace and former World Bank country director for China, said that western observers often misunderstood issues such

as China's growth model, debt problems, and potential housing bubbles (Carnegie Endowment for International Peace 2017).

The problem lies similarly with the way Chinese enterprises do business that it is somehow wrongly understood by many western observers. There are uncountable Chinese companies, some of them only do their business within China while some are preferably more into international markets which surely matters with the size of the enterprise. Nevertheless, no matter if it is a domestic company or multinational company, they all face the same problem - How to make money? And the same goal- To make more money.

4.2 Situation of foreign companies

This sub-chapter discusses about foreign companies and their ways of doing businesses. The author analyses simply about European, American and Japanese companies and their market.

For quite a long time, Chinese companies were learning from successful experience of European, American and Japanese enterprises (Global Sources 2018). Most European companies use their brand images and boutique goods as their expertise. It is precisely because those companies are well-known for their brands, especially referring to luxury goods which Chinese people are crazy about. Previously in chapter 3.1 Economic, it has mentioned that Chinese consumers are crazy for luxury goods.

Take an example of the world's top ten most valuable luxury brands –Louis Vuitton, Chanel, Hermès, Gucci, Rolex, Cartier, Burberry, Christian Dior, Yves Saint Laurent and Prada (O'Connel 2019), they all have their own stores in China distributing in economically developed regions. China, in particular Chinese consumers have taken the lead in luxury shopping over the past decade. (Blazyte 2019.) Given the above, one big reason of European companies' success is the determination of luxury consumption.

Most European companies choose luxury as their main direction to create a miracle in added value –Make-up, perfume, watches, car, clothing, wine, etc. and in addition to a variety of uniquely designed or personalized daily basis make those small group of people feel distinctive about themselves and so as to show their

identities. Therefore, many European companies pay more attention to high valueadded consumption areas.

Instead, American companies choose another direction to concentrate on. US companies have turned the technology-wise innovations into products (both tangible and intangible). A big reason to the success of American companies lies in the mass production of luxury goods by means of technology, so that the products that were owned only by a small group of people can now be possessed by a major group. American companies have made luxury become more popularised.

On the contrary, Japanese companies aim at being extremely reasonable, that is, good but cheap. Japanese companies have a good fame for their products, although massively produced, decent quality within a low price. This is because of the faster technology transformation abilities and a unique cost and quality culture, which makes it a larger market comprised of more consumers than the US and Japanese companies remain as trusted companies.

4.3 Prospective from Chinese companies

However, like it is mentioned in the first paragraph that Chinese companies have been learning from successful experience of European, American and Japanese companies, but learning without innovating is impossible to have anything on their own. "Relationship" has always been a key word in a Chinese way of doing business, that China is referred as a relationship-based society (Michailova & Worm 2003,510).

Therefore, relationship is part of the Chinese "business model". Professor Chen from University of Rutgers conducted a systematic study of this relationship in Chinese-style management. They pointed out that personal network can still work when solving business issues because of the immaturity of economy and market rules, though Chinese companies learn to compete on the global market through talent development, productive innovation and professionalism through globalization (Rutgers Business School 2016).

However, with the development of modernization, this "relationship" is getting better than before. In the past, it was based on traditional relationships such as relatives, friends, family, etc. In recent years, it has gradually formed a modern type of relationship that it is more based on classmates, colleagues, superiors and business partners, which is more legitimate. Investment based on relationships has become more personal, targeted and sensible.

The world has been concerned about the export of Chinese-style businesses driven by overseas investment by Chinese companies. To start with developed countries, Chines companies are not only infiltrating the market but also absorbing advanced technology and experience. On the other hand, for those developing countries that are rich in resources, direct investment focuses on access to resources and industry development.

In fact, the impact of overseas exports of Chinese-style operations on target countries and acquired companies has also begun to receive attention. In direct investment of developed countries, in addition to the opposition to national interest caused by investment in high-tech fields, some Chinese operators have caused problems in understanding the business culture of target country.

4.3.1 Partnership between Chinese and foreign companies

China has been one of the most popular foreign direct investment destinations even though its market is considered difficult to access and internally complex. (Froese, Sutherland, Lee, Liu & Pan 2019, 1; DxPx-Conference 2019). Wu and Burge stated that domestic investment was of great significance, foreign direct investments (FDI) became much more important over the 1990s and it has contributed to China's overall economic growth while in the 1980s (Froese et al. 2019, 250).

For instance, in the early 2000s, many foreign contractors were venturing into the Chinese construction market with China's accession to the World Trade Organization (Smith 2005). However, most of them found it confusing as the relationship between collaboration and competition was often unclear for them back then, though those companies still preferred to cooperate with design institutions or con-

struction enterprises. Various types of collaboration such as mergers and acquisitions, joint ventures, project-based collaboration and strategic alliances were possible options for foreign companies back then, and it is still the same nowadays.

4.4 Challenges for both domestic and foreign companies in China

As in many countries in the world, freedom of speech is championed but with limitations and ethical questions as to what can be said on the Internet (Tenba Group 2019). Like it has mentioned earlier, China is complicate and Internet censorship in China is just as perplexing as the country itself.

Therefore, it is harsh under this high Internet censorship monitor that companies find it sometimes struggling due to the administrative regulations –Sophisticated regulations for foreign enterprises to do their businesses in China, Chinese companies doing business abroad as well as Chinese companies facing difficulties themselves.

For Chinese companies doing businesses with foreign enterprises under the Great Firewall, a few of those inconveniences, would be the examples of word searching and accessing Internet in other countries. Although Chinese enterprises have never stopped progressive development and overseas investment, doing business in China hasn't been any easier for neither Chinese companies nor foreign companies.

A few years ago, if attempting to search a sensitive word for several times, the entire IP address would be blacked out for a minute and a half, such as "river" in Chinese is the same pronunciation as the last name of China's former president, Jiang Zemin, and therefore was censored. Hence, using VPNs is a way to get the access to foreign website sand social media applications so as to avoid censorship. Many companies spend much money to purchase a corporate VPN package for internal uses. However, VPNs are so slow and lagged that it takes longer time to load, which imposing an additional cost. (Bao 2013.)

Turning to foreign companies that are doing business in China, Internet censorship is obscure and a barrier, especially with US companies, there are many instances in this case. Although for overseas companies whose core business is not directly

affected by Internet censorship in China, the effects on productivity and day-to-day operations should be considered (Koty 2017).

The United States has labelled Internet censorship in China a trade barrier in a report for the first time since 2013, saying worsening online restrictions are damaging the business of American companies (Carsten, Martina 2016). The 2016 National Trade Estimate Report by the United States Trade Representatives stated that China's filtering of cross-border Internet Traffic has posed a significant burden to foreign suppliers, hurting both Internet sites themselves and users who often depend on them for their businesses (The 2016 National Trade Estimate Report 2016, 91).

Based on the report, Chinese Internet censorship limited and harmed the commercial interests of American companies who expanded their markets in China. The same happened to VPN companies, the ones who provide access for people and companies in mainland China to those censored foreign social media and websites. The US VPN company Witopia received complaints from a large number of Chinese users that VPN services were constantly being disrupted, rendering users unable to enter the system, that it was not getting a response from any Chinabased websites when users attempted to visit while it was working perfectly fine for websites hosted in other countries such as the US, Germany, Japan, and Vietnam (DW 2011; Glucroft 2011).

Moreover, US-based company Apple Inc. said it removing VPN services from China's App Store, Apple CEO Tim Cook claimed that VPN apps violated Chinese rules and regulations (Cadell 2017; Choudhury 2017). In recent news, Apple and Microsoft censored information in China as a condition of accessing China's lucrative but circumscribed population of more than 800 million netizens though both the companies refused to talk about their policies in China (Simonite 2019). Apple removed The New York Times and 25,000 illegal gambling apps from the Chinese App Store that do not comply with Chinese laws after removing VPN apps in 2017, and Microsoft censored political content that could anger the Chinese government from Bing search results and LinkedIn posts (Binder 2018; Meisenzahl 2019).

In fact, that was not the first time for these US tech companies to help China in terms of Internet censorship. In 2006, Microsoft helped China to censor bloggers,

removing words "freedom" and "democracy" from the net in China with a software package that stopped bloggers from using these words as well as some other politically sensitive words on their websites (Watts 2005).

Building on International Business (IB) research and recent business developments in China, there are two key challenges related to business environment, namely cultural challenges and regulatory challenges; two management challenges, namely innovation management challenges and human resource management challenges. (Froese et. al 2019, 251.)

Based on GMA (2019) and TMF Group (2019), here are explanations to the four challenges:

- Cultural Challenges: China represents business cultures with its own distinctiveness, therefore, cultural misunderstanding happens to companies from foreign backgrounds, such as bureaucratic society, labour, consumer preferences, etc.
- Regulatory Challenge: Foreign businesses in China face government, legal and regulatory challenges on two main fronts – An emerging market and arguably of far greater importance of owing to their asymmetric impacts. In short, the lengthy administrative procedures remain a consent challenge in China.
- 3. Innovation Management Challenges: Innovation management is a crucial topic for both domestic stakeholders and foreign firms. Emerging economics may offer an experimental lab to cultivate new ideas while addressing the global challenges faced by both domestic and foreign companies.
- 4. Human Resource Management Challenges: Professional labour outstrips supply. HRM challenges has become a popular topic in China. Initially, Chinese market adapted capital-oriented HRM from foreign markets, but it has now become more talent-oriented, especially when it comes to Chinese employment system.

(Froese et. al 2019, 251 – 256; GMA 2019; TMF Group 2019.)

There are many other factors besides those. Under all that, to avoid these problems, it is important to have an international team with the locals included. By having local partners in the team, foreign companies and also the people who work for those companies can know Chinese market and culture better, adapting themselves to China's distinctive society and business culture faster and easier.

4.5 Overview

Under the strong degree of Internet censorship and lowest rate of economic growth in a decade, economic investments in China seem in low passion for both domestic companies and foreign companies, especially from foreign countries. Indeed, China's control over speech, academics and the Internet has been tightening, and this kind of political means needs to pay with a price, namely slow growth in national economy, therefore, it is nothing strange if foreign enterprises and businesses would lose their interest in investing in China.

Yet, China's new foreign investment law released in this January has stepped into a positive move towards foreign trades, indicating that China wants to attract more foreign investment.

Parker (2019), senior vice president at US – China Business Council said in an email:

It is a good signal that China has approached a number of foreign companies and associations for consultations on the review process, and the document contains a number of encouraging areas. (Cheng 2019.)

In addition, Wuttke, President of European Union Chamber of Commerce in China, told reporters in the press conference that he was surprised with the new investment law and it is accommodating to the concerns they have (TeleTrade 2019).

This is strategic, rewinding the country's open-up in 1978, it took China a few decades to stand up in front of the world again. Now, China no longer needs to worry about being weak, but it is needed to "open" up in terms of firming and innovating itself.

For example, China only ranked 22nd amongst 50 countries in the Bloomberg Innovation Index in 2015 (Coy 2015). Though the index was from 4 years ago, being one of the world's leading countries, China is not as innovative as it should be.

Most importantly, people need to stay in touch with the world outside China because it is crucial to communicate with the real world and exchange information, especially engaging in business activities. Some countries already have arguments on that base. For instance, many countries, especially the western world considers China unethical and brutal with some political issues. The latest news regarding Uyghurs issues in China – How China treats their minorities; It seems that foreign press has accessed proof of how China imprisoned their people because of their religions in Xinjiang Province while the same group are fighting and defending themselves in Australia (Mantesso & Handley 2019; The Economic Times 2019). It is always controversial to talk about political topics, especially under this sensitive period, therefore, the author does not give subjective stand but only stating the fact.

Despite of all, it is one of the world's most powerful countries, largest high-tech exporter and second largest economy, and many international firms have yielded admirable achievements in China.

5 CONCLUSION

China is sophisticated, both as a country and in its civil stands. It is obscure running a country of 56 minorities and 1.4 billion people. Therefore, proper measurements should be taken in order to safeguard the national security, the people and the country itself.

There is nothing wrong with censoring the Internet since this is what every country does for national safety under this digitalized world. However, personally, I think this should not be an excuse for the government to take control over almost everything.

With companies in mainland China, one big loss under this tight Internet censorship is that it causes huge inconveniences with accessing foreign network, arising additional cost for companies.

With people living in mainland China, in daily lives, they have no access to foreign social media application or websites, except for using Virtual Private Network applications, which have also been banned since 2017.

Both groups suffer from this Internet traffic, hence, the Chinese government should take it serious and figure a way for these groups and people. Besides, people need to know the truth, the world's opinions towards them and they have the right to do so.

Government sets regulations and rules to protect the people and its land, which is totally legitimate, but it would be unethical if the government chooses what to be seen or known, blocking harmful news or negative reviews from their people.

Nevertheless, this Internet censorship ought not to be an excuse for any foreign social media or press to fabricate or exaggerate unreal facts or stories towards China, either.

6 SUMMARY

The topic of this study is the analysis of Internet censorship in China – the GFW.

The purposes of this study are to examine the reasons behind the Great Firewall, how Chinese companies do businesses with foreign companies and situation of foreign companies in China; Challenges for Chinese and foreign companies of doing businesses under this Internet censorship.

This study is written using deductive approach and is based on both qualitative and quantitative methods, though mostly qualitative method. This study attempts to answer the following questions: Why China censors its Internet; How Chinese companies run businesses with foreign companies and situations of foreign companies in China; What the challenges both companies face under this Internet traffic.

This study is done theoretically by collecting literature reviews, comprising of book-based references and digital sources together with author's own opinions. In the theoretical part of this study the author explains what the GFW is and how it works, Internet outside of mainland China and situations of Chinese and foreign companies are in as well as inconveniences for both companies when doing business under China's Internet censorship. In addition, a country analysis of China from its economy, legal-politics and science & technology points of views is added to clarify China's situation better.

The results of this study indicate that reasons behind China's Internet censorship are complicated and sensitive, and that Chinese government should at least take it serious on figuring a better way for its people and enterprises to do business with the world under this Internet traffic.

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