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Stephen S. Roach: China's Connectivity Revolution 中国のネット革命 Jan. 29, 2012

Internet Utopianism

Introduction by Mark Selden

Stephen S. Roach, presently a member of the Yale faculty and Non-Executive Chairman of Morgan Stanley Asia, is among the most astute analysts of East Asian finance and development. In the present essay on "China's Connectivity Revolution," however, he embraces every element of the internet utopianism that has surfaced in recent years, here drawing on the soaring figures on internet, Twitter and Facebook use in China and globally. In these figures, he and others conclude, can be found the race of countless millions to the new middle class and, of equal importance, a global communications revolution ushering in political revolution.

Roach rightly draws attention to the rapid growth of internet penetration in both urban and rural China with usage tripling by 2011 to 485 million users in just five years. As with all Chinese numbers, the figures are humongous, although in this instance market penetration rates are only 36% compared with high end countries like Japan and Korea as well as the United States with close to 80% penetration. In addition, 270 million Chinese are participating in social networks. Levels of market penetration will surely continue to skyrocket in coming years. In Shenzhen a year ago, for example, I was struck by the near universal use of cell phones by migrant workers earning minimum wages.

The question, however, is the significance of the phenomenon: in terms of consumption patterns, class formation, social and political communication. It is here that caution is warranted.

What precisely is that "cognitive surplus" (Clay Shirky) unleashed by the 2.6 hours per day that Chinese internet users log? The immediate communication provided by cell phones and internet indeed have potential business, social and political implications, but heroic assumptions about their impact are best resisted in the absence of research on the ground.

Roach assumes that internet connectivity is the key to unlocking mass consumption in a nation in which the consumption share of GDP stands at a very low 35%. But information and desire to consume are not the primary obstacles to higher consumption for China's poorer classes: the combination of the low wage system and the dismantling of social welfare and health care structures, together with the lack of retirement benefits for migrant workers, together requiring high savings rates to provide for old age, are important limiting factors (See Selden and Wu, The Chinese State, Incomplete Proletarianization and Structures of Inequality in Two Epochs). Hewing to official slogans, Roach opines that internet penetration may help to overcome rampant inequality and contribute to China's "harmonious society". But on what evidence?

Roach, moreover, albeit cautiously, nods to what has become known as the Egyptian effect: the role of internet communications in facilitating the Tahrir Square revolution whose effects would be felt worldwide including in the Occupy Wall Street movements in the U.S. While recycling the unsubstantiated ten year old rumor of 30,000 internet watchers (the original in fact referred to Beijing rather than China, but there remains no substantiation of the size of internet policing operations), Roach is rightly cautious about projecting change. The Chinese state has proven astute to date in riding the tiger of widespread discontent and resistance by preventing the transition from local incidents to a horizontal plane, linking city, province and nation. There is no evidence to date that electronic communications has fundamentally shifted this balance. Or that the "harmonious society" is in the offing.

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China's Connectivity Revolution

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NEW HAVEN – Long the most fragmented nation on earth, China is being brought together like never before by a new connectivity. Its Internet community is expanding at hyper speed, with profound implications for the Chinese economy, to say nothing of the country's social norms and political system. This genie cannot be stuffed back in the bottle. Once connected, there is no turning back.

The pace of transformation is breathtaking. According to Internet World Stats, the number of Internet users in China has more than tripled since 2006, soaring to 485 million in mid-2011 – more than three times that in 2006. Moreover, China's rush to connectivity is far from over. As of mid-2011, only 36% of its 1.3 billion people were connected – far short of the nearly 80% penetration rates seen in South Korea, Japan, and the United States.

Indeed, with the cost of connectivity falling sharply – China's mobile users are expected to surpass PC users by 2013 – and, with urbanization and per capita incomes also rising sharply, it is not unreasonable to expect China's Internet penetration rate to cross the 50% threshold by 2015. That would be the functional equivalent of adding about three-fourths of all existing Internet users in the US.

Nor are the Chinese casual and infrequent Internet users. Consistent with what the social-network theorist Clay Shirky has dubbed a society's penchant for unlocking the "cognitive surplus" embedded in net-based activities, survey data from the China Internet Network Information Center suggest that Chinese netizens log an average of 2.6 hours per day online – a full hour longer than the average 15-49-year-old Chinese citizen spends watching television.

China's microblogs, or social networks, where usage tends be most intense, were estimated to have approximately 270 million users as of late 2011. And there is plenty of upside. Worldwide, about 70% of all Internet users currently engage in some form of microblogging, which is the fastest-growing segment of the Internet. In China, this share is just 55%.

When it comes to analyzing China, it is always easy to get carried away with numbers – especially those driven by the country's sheer size. But the real message here concerns the implications of connectivity, not just its scale.

A key implication is the Internet's potential to play a significant role in the emergence of China's consumer society – a critical structural imperative for a long-unbalanced Chinese economy. With connectivity comes a national awareness of spending habits, tastes, and brands – essential characteristics of any consumer culture.

The consumption share of China's economy, at less than 35% of GDP, is the lowest of any major country. Surging Chinese Internet usage could well facilitate the pro-consumption initiatives of the recently enacted 12th Five-Year Plan.

The Internet could also enable freer and more open communications, upward mobility, transparent and rapid dissemination of information, and, yes, individuality. China's leadership has been increasingly vocal in raising concerns about growing inequalities that might otherwise hinder the development of what they call a more "harmonious society." Online connectivity could be a powerful means to help China come together and achieve this goal.

Finally, there is the Internet's potential as an instrument of political change. That is hardly an inconsequential consideration for any country in the aftermath of last year's Arab Spring, which was facilitated in many countries (especially Tunisia and Egypt) by network-enabled mobilization.

While reform of China's single-party state has always been viewed as an important objective in modern China – from the so-called Fifth Modernization of Wei Jinsheng in the late 1970's to recent speeches by Premier Wen Jiabao – meaningful progress has been limited. Is this likely to change as China embraces the Internet?

China is no exception in requiring leadership, accountability, and responsiveness as conditions of political stability. Its rapidly expanding Internet community has repeatedly raised national awareness of tough local issues. This was especially evident in the aftermath of the Sichuan earthquake of 2008, ethnic violence in Xinjiang in 2009, and the high-speed rail crash in Wenzhou in 2011.

As the Arab Spring demonstrated, the Internet can quickly transform local incidents into national flashpoints – turning the new connectivity into a potential source of political instability and turmoil. But that has been the case only in countries ruled by highly unpopular autocratic regimes. By contrast, China's leadership is viewed with a much greater degree of public sympathy. Their quick and direct response to the recent incidents in Sichuan, Xinjiang, and Wenzhou are important cases in point. Senior Party leaders – especially Premier Wen – were quick to lead an empathetic national response that was largely effective in countering the outpouring of concern expressed on the Internet.

None of this is to deny the dark side of the Chinese Internet explosion – namely, widespread censorship and constraints on individual freedom of expression. China's "SkyNet" team (rumored to be greater than 30,000) is the largest cyber police force in the world. Moreover, while China is not alone in censoring the Internet, self-policing by many of the nation's largest portals amplifies official oversight and surveillance. Recent restrictions on microbloggers – especially denial of access to those who use untraceable aliases – have heightened concerns over Chinese Internet freedom. Such restrictions, of course, cut both ways – potentially limiting personal expression, but also constraining disguised and reckless vigilante attacks.

Filtered or not, a long-fragmented China now has a viable and rapidly expanding network. The power of that network – especially insofar as economic, social, and political change is concerned – is hard to predict. But connectivity adds a new dimension of cohesion to modern China. That can only accelerate the speed of its extraordinary development journey.

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