

State Policy and News Websites in China

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Introduction

The rise and popularity of news websites is a significant phenomenon in the growth of Internet, as well as for the development of news media, in China. News websites, in Chinese, xinwei wangzhan (新闻网站), are basically websites that carry news stories for net surfers to read. Names of top news websites, like Sina.com or People's Net, are big names in Chinese Internet. Surveys conducted by governmental agencies and research institutions show that one of the most important things that Chinese net surfers do is to read news stories online, and China's online news reviewers totaled 234 million by the end of 2008 (CNNIC, 1997-2009). News websites in China are generally regarded as faster, more informative than newspaper and television news sources. Top-rank news websites boast of millions of visits per day. Their influence rise quickly vis-à-vis "traditional" media.

The growth of news websites in China raises two questions at the same time. First, when Internet is believed by some to have liberalizing power for Chinese political and social life (Tai, 2006), how do news websites contribute to a freer press system and a more informed public? Do news websites, relying on the new networking technology, bring about more diversified news sources and provide Chinese people more opportunities to learn about political and public affairs? Second, news media in the People's Republic of China are always understood as under tight control of the party-state and are propaganda apparatus. Does the popularity of online news services, using a technology presumably decentralized, challenge the central control over information under the old system? These questions motivate the research for this article. Unfortunately, we do not arrive at optimistic conclusions.

We begin with a brief overview of the development of Internet and news websites in China. Then we move to discuss the legal and policy framework for the online news services industry. Afterward, we discuss two top-rank news websites in China, People's Net, and Sina.com, respectively. The central concern that runs through our discussion and analysis is: Does, or to what extent does, the growth of news websites in China contribute to the democratization of media in China? We maintain that state policy significantly shaped the development of the industry, and online news services did not pose any significant challenge to the existing regulatory structure of Chinese news media. There is nothing inherent in networking technology that is by nature liberalizing and pro-democracy, though news websites in China made good money and served state agenda well.

Development of Internet and news websites in China—a brief overview

The growth of new communications technology, in this case, the Internet, is not viewed by the Chinese party-state as a threat, as some would argue (Pool, 1983). Rather, it is at the core of China's developmental policy after late 1970s. Information and communication technology (ICT) has always been regarded by the Chinese government as the key to national development and defense. When, in recent decades, digital and information industries became the most important sectors in economic growth in Western countries, especially the US, China also embraced ICT in its developmental policy design (Zhao 2007). In China's Tenth Five-Year Plan, passed in 2001 by the National People's Congress, a whole chapter was devoted to information industries, which called for increasing weight of information industries in the whole economy.¹ The development of Internet in China is part of the state-coordinated endeavor to national development and economic growth.

Internet in China went through drastic growth since mid-1990s. According to the statistics of China Internet Network Information Center (CNNIC 1997-2009), a quasi-governmental agency in charge of Internet-related affairs, China had 620 thousand Internet users in 1997. By the end of 2008, the figure jumped to 298 million, a growth of hundreds of times. 22.6% of Chinese population are Internet users, and the annual growth rate in 2008 is 41.9%. However, the growth was highly imbalanced, favoring economically advanced regions and high-income populations. Geographically, most Chinese Internet users live in economically developed regions like Beijing, Shanghai, and Guangdong. Urban-rural divide is very sharp. According to the CNNIC report released in

January 2009, 28.4% Internet users live in the countryside, while rural residents amounted to two thirds of the whole population.

Career is an index that reflects the popularity of Internet usage among different social classes in China. Workers and peasants, the two social groups with the largest population and the lowest incomes, amounted to only minuscule percentages of the online population. More often than not they were not included in CNNIC surveys as separate social groups that used the Internet. And when they were included, they showed to be amounting to a very small percentage. 800 million peasants, who accounted for 58% of the whole population, amounted to only 0.2% of Internet users in 1999. In 2005, that percentage rose to its historical high of 1.4%, yet only 2.6% of the rural population accessed the Internet, a rate one-sixth to its counterpart in the cities. “Production and transportation devices operators”, presumably included factory workers as well as taxi and bus drivers, amounted to less than 6% of the online population in 2006. Going through the 23 survey reports from 1997 to 2009, office employees that live in cities composed the majority of Internet population in China.

Urban residents working in offices constitute the middle layer of Chinese society. Different from either elites or peasants and factory workers, they benefited from the economic development, yet also suffered similar problems to peasants and factory workers, “losers” in China's reform. They were protected by the urban-rural divide that channeled rural resources to urban welfare, and did not meet with massive laid-off that factory workers suffered (Meisner, 1996). On the other hand, they were only granted a very small share of the benefits of market-oriented growth, yet were victims to social problems resulting from such growth, e.g. high living (particularly housing) expenses,

increased crime rates, as well as pollution. In addition, many of them had family or other connections with subaltern social groups, and thus directly witnessed or acutely experienced the social costs in China's reform. The Chinese online population thus had a dual character. They pursued information and entertainment online, sometimes mobilized for more social rights vis-à-vis the elites, and often demonstrated divided attitudes towards subaltern social groups (Zhao, 2008). This is the social context in which Internet grew and news websites developed, and were controlled, in China.

News websites in China developed along with the growth of the Internet. As the number of Internet users rose from 620 thousand in 1997 to 298 million in 2008 (CNNIC, 1997-2009), numerous websites that provided news services emerged and grew. They can be roughly divided into two categories: commercial websites, and state-owned websites affiliated to traditional (governmental/party) media outlets.

News provision has become a key growth point for major commercial web portals in China. Business analysts maintain that it is the key to further growth, and two out of the top three web portals, Sina.com and Sohu.com (the third portal is Netease.com), relied heavily on news services for profiting (through advertising). Transnational and domestic capital played important roles in their growth, and the most well-known websites were almost all NASDAQ-listed companies. State-owned news websites are affiliated to traditional news media. Almost all party and governmental news agencies, papers, and broadcasters had their respective news websites, including Xinhua News Agency's Xinhuanet, People's Daily's People's Net, and China Central Television's CCTV.com. They were part of the state propaganda apparatuses and were required to carry out

propaganda tasks. Meanwhile, as part of the process of media commercialization in China, they were also required, and strived, to make profits.

State policy played a very important role in shaping the structure of this sector. It had dual goals in relation to news websites. On the one hand, news websites were part of the development of Internet and information industries in China. The growth of news websites was in line with the general policy orientation of the Chinese state, which was eager to build up an “information highway” to propel economic growth. On the other hand, news media had always been under tight control of the state, which strived to extend the control over Internet news. This is in corresponding to the general state policy that sought to liberalize economy without social and political democratization (Meisner, 1996). In collaboration with media capital, the Chinese state to a large extent managed to simultaneously boost Internet economy and restrain media democratization. Under both governmental repression and commercial pressure, independent non-commercial online news services were largely marginalized, if not totally eliminated.

Legal and policy framework for news websites in China

Legal and policy framework for news websites in China has three distinct features. First, it protects existing websites and blocks competition. Second, it protects big businesses at the cost of small businesses or non-commercial online news services. Thirdly, it wants to ensure that governmental and party organs are sole sources of political news, so that content control remains operational under the old mechanism. State control centers on two aspects: licensing and approval, and the ban on news production.

Licensing and approval

The licensing of news websites in China is a two-track system. If a news media (unexceptionally state-owned) wants to set up its online presence, the licensing and approval requirements are simple and easy. Otherwise, the threshold is high and restraints stringent.

“Measures for the Administration of Internet Information Services (**互联网信息服务管理办法**)” (“2000 Measures”), promulgated by the State Council, and “Regulation on Internet News Information Administration (**互联网新闻信息服务管理规定**)” (“2005 Regulation”), jointly issued by State Council Information Office and the Ministry of Information Industry, constitute the basic legal framework for the licensing and approval of news websites. Existing news media, all of which are state-owned, do not need licenses if they set up websites that only reprint contents already published by themselves. If they are to set up websites that publish original news stories, they need to make sure that they have control over the operation of the websites (holding no less than 51% of all shares), and need to obtain prior approval from the State Council Information Office. Given that news media in China are all owned by the government, obtaining one more license is relatively easy and sometimes merely a formality.

In all other cases, setting up a news website includes a complicated set of requirements and restraints. Only established corporations that have been in the online content provision business for more than two years are qualified to apply. In addition, if the applicant corporation is a profit-making business, it must have at least 10 million yuan (about US\$ 1.5 million) in register capital before it can even send in the application.

It needs to be noted here that most, if not all, of non-profit, cause-oriented corporations in China are either sponsored or run by the government, and there are virtually no non-governmental, non-profit institutions of meaningful sizes and influence. The 10 million yuan threshold virtually blocks non-profit civil organizations, as well as small businesses, to establish news websites.

The two-track system apparently aims at preventing the emergence of (too) many news media outlets. Non-governmental efforts to establish news websites, except for big businesses, are virtually banned. The 10 million yuan threshold was set forth in 2005, when the top five Chinese web portals' revenue in advertisements was taking more than 50% of the whole industry (Hou, 2006). By raising the threshold of entry, major market players' interests were protected, while top-down control was simplified—it was obviously easier to control a handful of companies with high stakes in the industry than to manage a large amount of organizations that might not all be interested in chasing money.

The ban on news production

For the few top-rank commercial news websites who are permitted to operate under the 2005 Regulation, they are banned from publishing original political news stories, although they may be less inclined to harbor any non-economic agendas than smaller or non-profit media could have. The 2005 Regulation defines “news” as “current political news and information, including stories and comments on politics, economics, military, foreign affairs and other social public affairs, as well as stories and comments on sudden, widely-concerned social events” (Article 2), and makes it very clear that non-

governmental news websites can only “reprint” news stories already published by state-owned media outlets (Article 16). This is a straight-forward ban on “hard news,” which seeks to safeguard the monopoly of state-owned media on news production. It basically meant that, for any public-concerned news events, State-owned media are sole sources of news stories, and commercial “news” websites are not allowed to produce their own “news,” or to reprint news stories published in overseas media.

The enforcement of the ban was vigorous. State-owned news websites were generally institutionally affiliated to their parent media, from which they cloned propaganda and censorship rules and disciplines. They were not more inclined to challenge top-down control than state-owned media in “traditional” sectors, e.g. press, radio, or television. In addition, large-scale online surveillance and web police forces (Wacker, 2003) threatened to capture any violations of state law and policy. For the few commercial websites, they had high stakes in their profit-seeking businesses. Given that there were only a few of them, it was easy for the State Council Information Office to connect extensively to their managerial to ensure compliance with state law and policy. As a matter of fact, heads of news department at websites like Sina.com or Sohu.com received phone calls from the Information Office every once in a while, sometimes more than once a day, when intensive governmental instructions were deemed necessary.²

However, along with the ban on news production came state policy that facilitated the reprint of news stories on the Internet. In 2000, the People’s Supreme Court of China issued an interpretation of copyright law in regard to the Internet,³ which set forth a compulsory license for reprinting news stories online. Under the compulsory license, any news stories already published in newspapers or online could be reprinted online without

prior authorization, as long as the sources were noted and remunerations paid. This opened commercial news websites to an huge reserve of reprintable news stories both online and offline. In 2000 commercial news websites were mostly at an early stage and obtaining copyright authorization was both difficult and costly, since they lacked both funding and business connections. The compulsory license spurred the growth of commercial news websites, which relied on reprinting large amount of news stories, until 2006, when the People's Supreme Court reversed the trend by eliminating the compulsory license. By that time, the industry was dominated by a small number of well-funded and established commercial news websites, for which getting permissions and making payments for reprints were no longer a worrisome issue.

News at commercial websites

State law and policy shaped news reporting at commercial news websites. Since they could not publish original political news, commercial news websites in China developed their own strategies. Firstly, they unexceptionally reprinted huge amounts of news stories from other media and online. The point was to lay emphasis on quantity (since they were banned from news production, thus, had no control over quality) of news items. Secondly, tremendous efforts were made to attract net surfers' attention, including tricking them into clicking on the news story. Thirdly, "soft news," including sports news, entertainment news, and "social" news (社会新闻, mostly sensational stories) played an important role.

In a way, the ban on news production might not be a negative factor for profit-seeking news websites that focused on "disseminating" news stories rather than

producing them. For one thing, they actually saved significant business money on employing journalists. Without original news stories, they market their websites by emphasizing on the quantity of news stories, the speed of news updating, and significant editorial work that organized news stories and comments into different “special topics” to facilitate readers’ access. In the case of Sina.com, it claimed on its own website that it had more than 1,000 news providers.⁴ Monitoring its “instant news” webpage showed that it was updated 1 to 5 times every minute.⁵ In addition, Sina.com’s “special topics (专题)” provided net surfers with accesses to a large quantity of stories and comments for widely concerned issues. Relying on its massive reserve of reprinted stories, Sina.com usually organized links to news reports in regard to a certain topic on one webpage. In cases of breaking news, the setting up of “special topic” pages could be very fast. It significantly helped net surfers to quickly learn about what had been reported by major national media on certain news events, though, of course, all of them came from state-owned media outlets.

Analysis of news sources on commercial news websites showed that it was highly concentrated. Although news stories from more than 1,000 providers were available to Sina.com, what actually appeared at the homepage of its news website, news.sina.com.cn, came from only dozens of media outlets, and the three major state-owned media, namely, Xinhuanet (owned and managed by Xinhua News Agency), People’s Net (by People’s Daily), and ChinaNews (chinanews.com.cn, owned by China News Service, another state-owned news agency) dominated. Statistics from November 20, 2007 showed that one third of news items at news.sina.com.cn were from these big three (Chart-1). The concentration was more obvious when coming to political news (the concept of news

defined in the 2005 regulation). For general (non-headline) political news, 66% of them at news.sina.com.cn came from the three major sources (Chart-2). In regard to headline news, the three major sources accounted to 74% of them (Chart-3). It was in regard to “soft news” that some diversity in news sources was visible. Chart-4 shows the percentages of different sources in political, sports/entertainment, and “social news”⁶ stories. Most entertainment/sports news (including other sorts of news stories that Sina.com was allowed to produce) at news.sina.com.cn were produced by Sina.com, and most “social news” were from other sources, mostly local newspapers.

As Sina.com is one of the most frequently visited news websites, studies on Sina.com present a case that illustrates news services by commercial websites in China. Major state-owned media outlets dominated the provision of political news online. It corresponded, and reinforced, the dominance of major state-owned news agencies in other “traditional” media sectors. It was only in relation to “soft news” that some diversity in news sources was visible. A “media monopoly” (Bagdikian, 2004) certainly existed in online news services in China. Before we move to discussion and analysis on its social political impacts, we will study the growth and development of two news websites in China.

Case studies: development history of two news websites

The development of news websites in China is a short but complicated history. One of the most significant issues is the role of governmental policy in the process. While some western observers, including Rupert Murdoch (1993), maintained that the “liberalizing”

power of the Internet and the “authoritarian” Chinese regime would come to clash, China actually encouraged the growth of online news service while seeking to keep it under control. The following case studies of the histories of two Chinese news websites can help to draw a picture of the industry. They represent state-owned news websites and commercial news websites respectively. People’s Net shows how the Chinese state actively developed state-owned online news services and sought to maintain control over “public opinions.” Sina.com shows how a commercial website achieved remarkable growth due to active venture capital and encouraging government policy. They both illustrate typical features of China’s news websites.

People’s Net

People’s Net, www.people.com.cn, is the online presence of the Chinese Communist Party’s foremost mouthpiece organ, People’s Daily. People’s Daily is the organ paper of the Central Committee of the Communist Party, and its history can be traced to late 1940s, before the Party came in power and founded the People’s Republic of China. In the half century after its birth, People’s Daily played a significant role in China’s political life. People’s Daily, being the organ paper of the Party’s Central Committee, where ultimate political power rests, sits at the top of China’s media hierarchy. There were times when first-page articles of People’s Daily were to be exactly copied in the first page of all newspapers across the country, because the voice of the Party must be disseminated as widely as possible and without any alterations. People’s Daily is the authoritative source of the party-state’s policies and political news, as well as the foremost task force to carry out the party’s propaganda tasks and to “maintain the correct direction of public opinion

(jianchi zhengque de yulun daoxiang).”

People’s Net began as People’s Daily’s online version on January 1, 1997. This was a very early period in China’s Internet development. It was less than one year earlier that a national backbone network infrastructure, ChinaNet, was built up. Internet in China was so new in 1997 that not many data existed to describe the development of the network at that time. The first national survey on the popularization of Internet in China by CNNIC (China Internet Network Information Center) was carried out only ten months later, and it reported that by October 1997, only 299 thousand computers in China were connected online and Internet users amounted to 620 thousand (CNNIC, 1997-2009). By any standards, Internet in China in early 1997 was still at infancy. Nevertheless, within one year after its birth, People’s Net had been visited for 80 million times. And in 1998, it boasted to be “the most informative website in China” (People’s Net, 2005).

1999 was a critical year in the development of People’s Net, when heated online discussion over a news event alerted the Chinese government to make explicit policy decisions to propel and to control the growth of online news provision. On May 8, 1999, during the Kosovo War, NATO missiles attacked Chinese Embassy in Belgrade and killed three Chinese diplomats. When large numbers of protesters marched in the streets of major Chinese cities for the first time after Tiananmen Square, People’s Net opened a web forum in protesting against the bombing. Within one month, 200,000 posts were posted, and the forum changed its name into “Strengthening the Nation Forum (强国论坛),” channeling popular anger into support of the nation-state. The Party leadership was obviously pleased with People’s Net’s news service, and Ding Guangen, then head of the

Central Propaganda Department, visited People's Net in June to praise the website. On October 6, 1999, the Communist Party issued "Opinions of Central Propaganda Department and International Department on Strengthening Internet News Propaganda Work." This is the first document issued by the Party in regard to the Internet, and it explicitly argued that the development of online news propaganda should strive to control the "commanding heights" of the "public opinion front in the 21st century"(see Min, 2001).

People's Net became an icon in official discourse symbolizing state support for online news services. In 1999, Chairman of the National People's Congress (NPC), Li Peng, was reported surfing People's Net while visiting Thailand. One year later, Jiang Zemin, then Party Secretary and President of China, reportedly viewed the website of People's Net during a state visit to South Africa. People's Net became the first news website that acted as an independent news producer, sending reporters to significant news events like the handover of Macau and the annual conferences of the National People's Congress (NPC). In a publicity stunt in 2000, when People's Net set up a special website covering the upcoming NPC conference, a press conference was held announcing the news, to which the Vice-Chairman of the NPC attended.

Early 2000s witnessed a series of party-state initiatives boosting the growth of state-owned news websites. In May 2000, the Central Propaganda Department and the International Department of the Communist Party jointly issued "Developmental Guidelines for Internet News Propaganda Cause 2000-2003," which set forth basic guidelines and goals for "propaganda cause" online. On August 9, *People's Daily* published an editorial on its first page, stating that "facing the fast development of the

Internet, an important task in front of us is to accelerate the innovation and transformation of the means of information and communication, to recognize and to fully utilize information network technology, to significantly strengthen Internet media construction, and to strengthen online news propaganda. This is an important and urgent issue that relates to the overall situation.” In January 2001, Party Secretary General and Chinese President Jiang Zemin stated that Internet’s propaganda function must be fully recognized, and that the Internet must be a new front for thought work (Min, 2001). In contrast to commercial Internet services, which encountered huge losses when the Internet bubble burst in early 2000s, this was a period in which state-owned news websites rapidly grew. By the end of 1999, state-owned websites totaled about 700, but the number tripled within one year. People’s Net changed its web address from www.peopledaily.com.cn to www.people.com.cn in October 2000, highlighting its unique role in the propaganda cause. By 2001, it became a multi-lingual website with contents in six foreign languages besides simplified and traditional Chinese, including English, French, Spanish, Japanese, Russian, and Arabian.

Besides the propaganda cause, People’s Net also made significant efforts making profits. It marketed itself to advertisers as the most authoritative source of news online. On its website, People’s Net emphasized that it was affiliated to the foremost mouthpiece of the Party, *People’s Daily*, and that state and party leaders, as well as foreign political figure visiting China, all paid great attention to People’s Net. The strategy on highlighting People’s Net’s proximity to political elites seemed to have worked well, and its advertising clients consisted a long list of well-known transnational and domestic corporations, including IBM, GM, Toyota, and Lenovo.⁷ The process of

commercialization, under the vigorous push from the party-state, was accelerated by the end of 2007. In October and December, 2007, two high-rank governmental officials, including the Director of Press and Publication Administration and the Deputy-Director of the State Council Information Office, stated in different occasions that that the next step of reform in relation to governmental news websites, including People's Net, included turning some of them into public listing companies (China Securities News, 2007 12 5).

Sina.com

Sina.com's history started even earlier than People's Net. Its precedent, Srsnet.com, started in April 1996, only one month after ChinaNet, the national backbone network infrastructure, was built up. Srsnet.com firstly became well-known as a web forum for soccer games. Along with the rising popularization of soccer in China in 1997, Srsnet.com became the most famous website on soccer. China's Internet population at that time witnessed a drastic increase. According to CNNIC reports, from October 1997 to June 1998, networked computers and Internet users almost doubled in eight months. Internet surfers new to the online world, excited by the new technology, were eager to discover what the Internet could bring them. The fame of Srsnet.com soon spread out of the circle of soccer fans and became one of the icons of the early days of Internet in China.

In October 1997, Srsnet.com received its first (and Chinese IT industry's first) investment from transnational venture capital. A consortium led by Walton International Investment Group invested USD 6.5 million into Srsnet.com. One month later, when

media survey showed that Srsnet.com had become one of the top three popular websites in China, Srsnet.com decided to publish sports news in addition to the well-known forum. It almost immediately became the most popular online resource for sports news. In 1998, Srsnet.com seized the “soccer heat” in China and extensively covered the FIFA Soccer World Cup in France, thus further strengthened its role as one of the most well-known and popular websites in the country (Chen and Zeng, 2005).

However, it was not until the end of 1998 that Sina.com was born, when Srsnet.com merged with a US-based Chinese website, Sinanet. Sinanet was created at Stanford University by three Taiwanese students in 1995. Before the merger, Sinanet had already been captured by venture capital and was the largest website in Chinese language in the US. Backed by Walton International, Srsnet.com acquired Sinanet and named the new company Sina.com, in Chinese, Xin Lang, which means “new wave” (Xiong, 1998). The acquisition of Sinanet further bridged Sina.com with transnational venture capital. The history of Sina.com was then marked by constant efforts looking for overseas financing and the adventures of venture capital.

In February 1999, merely three months after the merger, Sina.com received an investment of USD 25 million from overseas investors including Goldman Sachs. This was the largest amount of venture capital investment at that time, which initiated the competition for overseas investment among Chinese Internet companies. To be listed in NASDAQ became the goal of many Chinese IT enterprises. From 1999 to 2000, four Chinese Internet companies were listed in NASDAQ, and Sina.com came the second. It was listed on April 13, 2000, and soon raised USD 68 million. However, 2000 was exactly when the Internet bubble began to burst. After NASDAQ index reached its record

high in March 2000, it became a long period of steady decline. Sina.com, together with other Chinese listing companies, suffered heavy losses. It was not after July 2002, when NASDAQ index started to recover did Sina.com claim to be profiting (Jin, Xu, Jin, Zhang, and Guo, 2005).

The growth of Sina.com underwent a series of changes in its corporate structure and its business model. Today, Sina.com has become a media conglomerate that includes businesses ranging from search engine, e-commerce, to instant messaging. Sometimes Sina.com refers to itself as a web portal. However, starting from a forum on soccer and a sports news provider, Sina.com's news service is what keeps it at the front of the market. Sina.com was well known for its quick response in covering breaking news and its huge volume of information. For Chen Tong, the moderator of the soccer forum of Srsnet.com, and later Chief Editor and Senior Vice President of Sina.com, the success of Sina.com must be attributed to the success of news services (Chen and Zeng, 2005). Sina.com is mostly known by Chinese Internet users through its news page at news.sina.com.cn. It has become one of the most influential media outlets in Chinese media industry.

However, Sina.com has never been a source of original news stories (except for sports and entertainment news). As discussed above, state policy explicitly prohibits commercial websites like Sina.com to produce news stories. They can only reprint news published by state-owned news agencies. As a result, news on Sina.com is never known for its originality but for its huge amount of (reprinted) information and its editorial skills. Huge numbers of news audience bring Sina.com huge numbers of advertising and short text messaging revenues.⁸ Indeed, advertising revenue has always been the most important and the fastest growing source of income for Sina.com. During the three

months ending March 31, 2000, Sina.com's total revenue amounted to USD 3.6 million, in which 3.1 million came from advertising.⁹ In the quarter ending September 30, 2007, total advertising revenue reached USD 45.8 million, while total revenue was 64.3 million.¹⁰ During the history of Sina.com, advertising has always been the major source of income. With advertising amounting to such a predominant portion in total revenue, the role of news services in attracting viewers has always been critical for Sina.com. In the early days of Srsnet.com, news generated popularity. In a Sina.com transformed by venture capital, news generated advertising revenue.

Sina.com's development took place in the context of state-coordinated growth of Internet in China. Without Chinese state's investment on national Internet infrastructure, i.e., ChinaNet, in 1996, Srsnet.com could not have been accessible to national Internet users in the first place. It was among overall growth of commercial Internet sector in China that Sina.com saw a drastic growth. From 2001 to 2006, the market for online advertising, search engine and email services increased from RMB 580 million (USD 83 million) in 2001 to RMB 7.53 billion (USD 1.08 billion) in 2006. The market for online advertising grows from RMB 30 million (USD 4.3 million) in 1998 to RMB 4 billion (USD 570 million) in 2006.¹¹ State policy nurtured a booming Internet sector, and Sina.com was one of the most fast-growing corporations.

State control over news production shaped the provision of news at Sina.com. It started from a soccer forum, a sports news website, and grew to an online source of reprinted news, boasting the quantity of news and editorial innovations, rather than its originality or the depth of news stories. Being one of the few licensed commercial websites, Sina.com did not have much incentive to resist state law and policy. Its

investment was high, and State Council Information Office, which issued orders on what not to report, was precisely the governmental organ that issues news website licenses. Sina.com could never seriously challenge state control. Its development in news services was achieved within the parameters set forth by state law and policy.

Lastly, venture capital, vital for the growth of Sina.com and other commercial Internet corporations in China, was able to enter Chinese market as a result of explicit policy design, which became particularly apparent if compared with China's strict policy in regard to foreign investment in other media sectors, e.g., television. Generally, foreign capital has been allowed to invest in Chinese media only in a very limited way. In Yuezhi Zhao's (2008) words, transnational capital in Chinese media industry has always been "kept at the peripheral." However, the Internet sector in China, at the center of China's developmental strategy, granted much more freedom for transnational capital than traditional media could have. Walton International started to invest in Srsnet.com as early as 1999, and Sina.com was listed in NASDAQ in 2000. Such freedom for foreign direct investment was difficult to imagine for China's other media sectors, like television, radio, or the press.

Conclusion: News websites and media democratization in China

The democratic potential of the Internet is an important and interesting topic. Network technology makes it possible for anyone to communicate to a large audience fast and cheaply. Faithful believers in the power of technology may want to agree with Pool (1983), who argues that electronic communication technology has an inherent tendency

for freedom. When barriers to democratic debate and policy-making are assumed to be mostly technical, Internet seems to be the ultimate solution for a utopian democratic society. Indeed, excited by technical possibilities opened up by new technology, fans of the Internet may question any regime's capability to rein the network. In short, if there is a technical solution for any forms of control, HOW can any undemocratic system continue to repress people when faced with the power of technology?

More cautioned arguments supportive of the correlation between networking technology and democratic media maintain that the gauge to measure the democratic potential of the Internet should not be a utopian democracy, but the spoke-and-hub structure in traditional media. The Internet does make it easier for people to communicate, and it is a qualitative change that can impact one's self-perceptions and eventually lead to fundamental social changes (Benkler, 2006). This is actually the basis on which some researchers emphasize the use of web forums in China and express faith in the power of the Internet to democratize China (Tai, 2006).

However, our study of news websites in China maintains that besides web forums and instant messaging (which are both heavily censored), news websites matter. This is not only because the major purpose of Chinese net surfers is to read news stories (CNNIC, 1997-2009), but that free access to news and information is essential for any democratization processes. To be adequately informed people must be able to learn about political news stories and public events. Web forums, weblogs, and MSNs cannot work to that effect, and a democratic media system is indispensable. In the case of China, how political news are produced and distributed online thus becomes the center of our concern—does the Internet really help people to be better informed?

We set two criteria for our test. First, whether Internet helps circumventing/resisting censorship on news. Second, whether Internet brings about diversified sources of news, and whether it provides more in-depth investigations and reports. However, we find that news websites in China fail to meet either one of them.

Growth of news websites in China is part of a state-coordinated project to develop the Internet as a propellant for economic growth. State-owned websites were developed with explicit propaganda agendas, and their institutional affiliation to existing State-owned media corporations ensured that the old (self-)censorship was cloned in the operation of these websites. For a few commercial news website, they were not granted the right to produce news stories from the outset, and the state organ who carried out censorship tasks, the State Council Information Office, was precisely the one that issues business licenses. Given the high stake in investments, and the ease for the state to discover and to punish resistance, censorship was enforced vigorously and effectively.

In regard to diversity of news sources, news websites in China did not have any positive changes in compared with traditional media. State-owned websites, of course, represent the voices from the Party-state. Small businesses, non-profit organizations, individuals were simple deprived of their right to even set up news website. For the few large commercial websites that were licensed, they were banned from news production. Our research shows that the news stories they reprinted were mostly from the big three State-owned news agencies. It did not contribute to news diversity. As a matter of fact, the more Sina.com and other commercial websites reprint, the better that the Party-state's voices and opinions were disseminated, since these were the only contents allowed to communicate through the network.

Instead of believing in the inherent power of technology, we maintain that the introduction of Internet in China must be situated in specific social, political, and economic contexts. Technology does not have deterministic power, but that the “receiving context” largely shapes how and for what end technology will be used (Zhou, 2005). While the party-state dominates political life and remained heavy-handed in media regulation and censorship, to hope the Internet, as a technology, to foster democracy does not seem convincing.

Of course, to argue that the Internet and news websites do not automatically bring about media democratization does not mean that pro-democracy initiatives and mobilization cannot take place in Internet-related settings, e.g. web forums. To document state policy and news websites in China is an effort to understand the dynamics in the development of Internet and online news services in a rapidly changing Chinese society. Internet in China grew at a time when information and communication came to the center of contemporary capitalism (McChesney and Schiller, 2003). The Chinese party-state’s policy on the Internet aimed to shape the industry as a profit-making sector and to forestall challenges to the political status quo. The history of Chinese news websites seems to prove that these two goals fit together very well. Initiatives to democratize Chinese media cannot come from either technology or the market. Such endeavors, by nature, are social and political.

¹ See <http://www.cnnic.gov.cn/html/Dir/2003/12/12/1999.htm>.

² This is based on one author's working experience in a top-rank commercial news website in China.

³ The People's Supreme Court of China, at its own discretion, issued interpretations of legal codes from time to time. Although China does not have a case law system, judicial decisions made and circulated by the Supreme Court had the power of law.

⁴ See the "About Sina" page in http://corp.sina.com.cn/chn/sina_prod.html.

⁵ <http://news.sina.com.cn/news1000/>

⁶ "Social news" is a special category for Chinese news media. Besides news stories on politics, entertainment, and sports, stories about the common people are classified to a category called "social news." In a way they are similar to tabloid stories in the western context.

⁷ See <http://www.people.com.cn/GB/51086/index.html>.

⁸ Sina.com and some other Chinese news websites have short text messages services. They send headline news to subscribers' cell phones in the form of short text messages. Therefore, a large proportion of Sina.com's short text messaging revenue actually comes from news services.

⁹ See Sina.com's financial report summary for the third quarter in 2000, at <http://finance.sina.com.cn/news/2000-05-17/32967.html>. Summaries of Sina.com's financial reports are available on Sina.com's website, http://tech.sina.com.cn/focus/finance_report/index.html (in Chinese), and http://corp.sina.com.cn/eng/sina_index_eng.htm (in English). However, English versions of these summaries do not include figures on advertising revenues.

¹⁰ See Sina.com's financial report summary for the third quarter in 2007, at <http://tech.sina.com.cn/i/2007-11-15/06021852838.shtml>.

¹¹ See <http://www.people.com.cn/GB/51086/51087/51116/index.html>.

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Charts

Chart-1: Source distribution in the homepage of Sina.com's news center.

Source Distribution of Non-Headline News

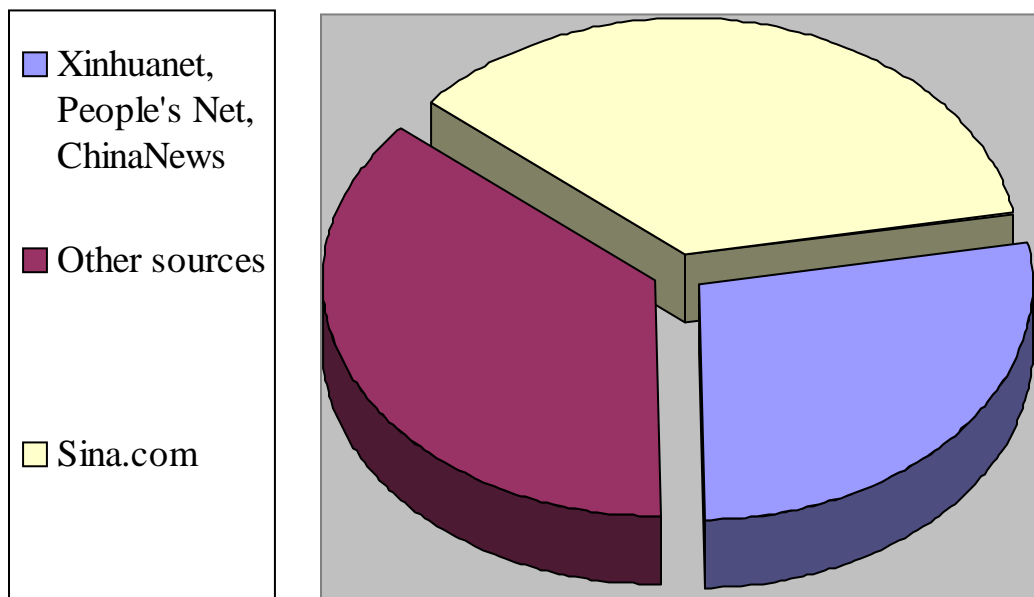


Chart-2: Source distribution of non-headling political news.

Source Distribution of Non-Headline Political News

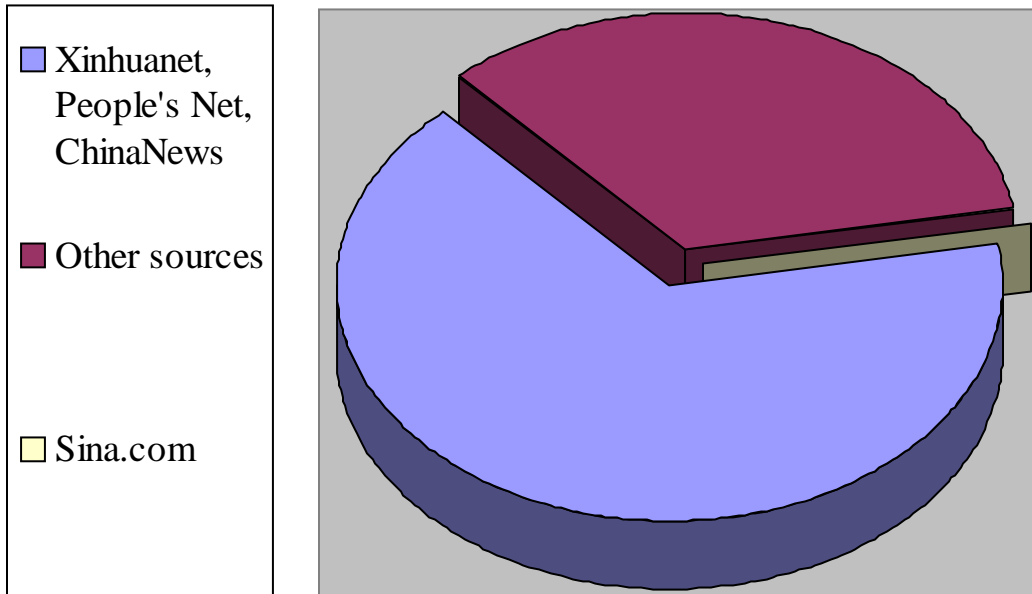


Chart-3: Three major sources dominating political news headlines.



Province Distribution

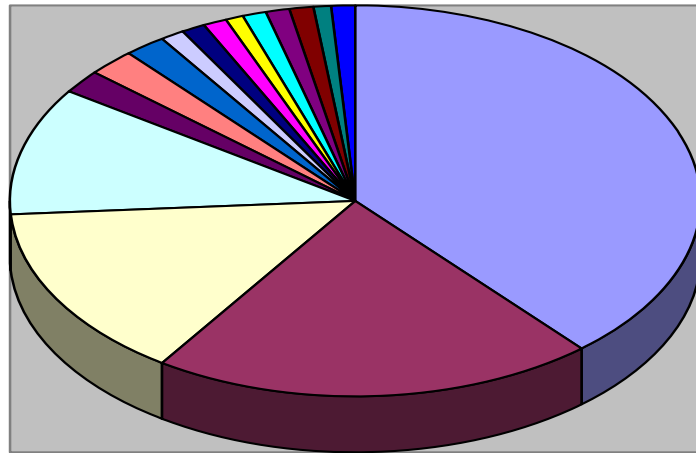


Chart-4: Source distribution in different news

