

Institute of  
Chinese Studies

ICS

中国研究所



Occasional  
paper

## China's Global Internet Ambitions: Finding Roots in ASEAN

Dev Lewis

No.14

July 2017



## **ABOUT THE AUTHOR**

**Dev Lewis** is a Researcher at Digital Asia Hub, an internet and society think-tank in Hong Kong. His research interests include Internet governance and the digital economy in the Chinese and Indian context, and he writes for several publications and think-tanks in India and China. Lewis has an International Relations degree from Roger Williams University, Rhode Island, United States. He has also previously studied at East China Normal University in Shanghai, and Zhengzhou University, Henan, where he was the recipient of a Hanban language scholarship. Previously he was also content and digital media coordinator at Gateway House where he wrote on the Chinese Internet and India-China relations.

Contact: [lewis.mu@gmail.com](mailto:lewis.mu@gmail.com)

Mobile: +91 9820064482/+86 18321524634

## **First published in 2017**

By

Institute of Chinese Studies,  
8/17 Sri Ram Road, Civil Lines,  
Delhi 110 054, India

Ph.: +91-11-23938202; Fax: +91-11-23992166

Email: [info@icsin.org](mailto:info@icsin.org)

Website: [www.icsin.org](http://www.icsin.org)

## **© Institute of Chinese Studies, Delhi**

All rights reserved. No part of this book may be reprinted or reproduced or utilized in any form or by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission

**ICS Occasional Paper # 14**  
**July 2017**

**China's Global Internet Ambitions: Finding Roots in  
ASEAN**

**Dev Lewis**

Researcher, Digital Asia Hub Think- Tank, Hong Kong

**Institute of Chinese Studies**  
**Delhi**

## China's Global Internet Ambitions: Finding Roots in ASEAN

### Abstract

*The Communist Party of China's leadership aspirations of becoming a 'strong Internet power' (wanglou qiangguo 网络强国) has driven an organisational restructuring within the Party and government, and a raft of legislations since Xi Jinping became Party general secretary in 2012. This has also manifested itself in China's foreign policy and economic diplomacy through its Belt and Road Initiative (BRI) and Internet Plus plan, and is most visible in its engagement with ASEAN. China's diplomatic engagement with ASEAN on cyber issues has deepened through the set-up of bilateral institutions designed to foster cooperation and investment in digital connectivity, Internet governance, and e-commerce. Chinese Internet companies too have bet big on the region through investments and partnerships with Southeast Asian companies in e-commerce, digital finance, gaming, and cloud computing, among other things. This presents a number of economic opportunities for the region to leapfrog stages in digital connectivity and technology but also poses political and strategic challenges to ASEAN that need to be acknowledged and addressed sooner rather than later.*

### Introduction

The Internet is central to the Communist Party of China's (CPC) economic and governance ambitions. China is now home to more than 731 million Internet users (CNNIC 2017), already the largest Internet population in the world, and with more than 400 million people still to follow. Its technology giants are now global leaders in e-commerce, Internet finance, communication, artificial intelligence, and so on, and now makeup four out of the top 10 Internet companies in the world (Statista 2017). The aspiration of building itself into a 'strong Internet power' (wanglou qiangguo 网络强国) has assumed central importance within the CPC leadership's thinking, within which the Internet is considered to be both a critical component of national security and the restructuring of the Chinese economy to a services-based, consumer-driven economy (State Council General Office cited in *China Copyright and Media* 2016a).

This is evident in the organisational restructuring that took place following the 18th Party Congress in 2012. Xi Jinping chairs the presidential-level Central Leading Group on Cybersecurity and Information, the de-facto policy nodal policy decision-making body which he created for the various associated governance bodies including the newly-formed Cyberspace Association of China (CAC) and the Cyber Security Association of China (CSAC).

It is difficult to determine the exact origin of the phrase ‘strong Internet power’ in party lingo, but it can be traced to an address President Xi gave to the conference of the Central Leading Group for Cyberspace Affairs in 2014 (*People’s Daily Online* 2015 cited in Bandurski 2015a) and was recently formally listed as a strategic objective in the National Cyber Security Strategy in December 2016 (China Cyberspace Association cited in *China Copyright and Media* 2016b). A ‘strong Internet power’ according to party lingo is understood to consist of two linked components: cyber security (*hulianwang anquan* 互联网安全), and informisation (*xinxihua* 信息化), which is understood as the ‘introduction of ICTs in all aspects of social and economic life, in order to enhance efficiency and the delivery of public services, support urbanization and economic growth, but also to be able to better monitor social thinking trends’ (Creemers 2015). In the past two years the CPC has passed into law a host of legislation in an effort to more effectively govern and manage the Internet in China. These include the National Security Law and Counter-Terrorism Law 2015, and most recently the National Cybersecurity Law 2016.

To create an international environment that enables the development of China’s Internet capabilities and aforementioned governance regimes, China’s foreign policy with respect to Internet governance has been underpinned by two pillars: ‘Internet sovereignty’ and the ‘multilateral model’ of global Internet governance.

‘Internet sovereignty’, was first defined in a 2010 White Paper to mean that within Chinese territory the Internet is under the jurisdiction of Chinese sovereignty, and more recently further elaborated to say, ‘national government exercises jurisdiction over ICT infrastructure, resources and activities within their territories’ (State Council 2010<sup>1</sup>; *Xinhua* 2017a). The ‘multilateral’ model to global Internet governance, is understood to mean that

---

<sup>1</sup> ‘China and the Internet’ published in 2010 is the first policy paper on the Internet by the Chinese government.

all stakeholders (public and private sector, NGO, etc.) take part in global governance, but States retain primacy within the scope of the United Nations Charter. This is an approach that is in overt opposition to the US-led ‘multi-stakeholder’ model.

Underpinning China’s approach is the belief that the status quo—both in terms of governance and technology— asymmetrically favours developed countries, and that the ‘the governance of global cyberspace has a clear character of asymmetric interdependence... By means of technological, institutional, strategic and policy advantages, developed nations hold clear status and enjoy [a position of] lower sensitivity and relative strength’ (Shen Yi cited in Bandurski 2015b). These positions have been emphasised on numerous occasions including by Xi in his address ‘promoting the transformation of the global system of Internet governance’ at the 2015 Wuzhen World Internet Conference<sup>2</sup>, and in numerous speeches by former CAC head Lu Wei, as well as leading thinkers in academia and media.

Reforms to global Internet governance structures require international consensus involving a range of State and non-state actors, and since 2014, in particular, China visibly stepped up its diplomatic activity on this front. In 2014, China set up its own forum, the aforementioned Wuzhen World Internet Conference<sup>3</sup>, to add critical mass and build support for its agenda, namely the principle of Internet Sovereignty and multilateral approach. China has also asserted its influence in bilateral dealings with other major powers such as the U.S. and Russia and also in the ongoing global deliberations to reform global Internet governance at the International Corporation for Assigned Names and Numbers (ICANN), UN’s World Summit on Information and Security+10 review, and International Telecommunication Union (ITU).

As global Internet governance deliberations continue to evolve domestically and internationally over the coming years, China’s task is to build a global coalition of countries that subscribe to its policies and ensure that new laws and norms are in line with its own interests, an attempt to ‘gain de jure international support for China’s de facto Internet censorship policies’ (Franz 2016). This has also been integrated into two of China’s flagship initiatives, the

---

<sup>2</sup> The Wuzhen World Internet Conference is an annual event organised by the Cyberspace Administration of China (CAC) and the Zhejiang Government to discuss Internet and policy issues.

Belt and Road Initiative (BRI) and Internet-Plus strategy<sup>4</sup>, orchestrated in close coordination with private Chinese Internet companies such as Baidu, Alibaba, Tencent, among others. Under the auspices of the Internet-plus plan, as well as BRI, Chinese enterprises are being encouraged and urged to work together and go abroad. The Internet Plus plan calls for Chinese companies to ‘aggressively establish an international presence, expand foreign users, and push out products suited for different market cultures’ (State Council General Office cited in *China Copyright and Media* 2015). Former CAC chief Lu Wei further articulated, ‘China will further strengthen its network cooperation with countries along “One Belt, One Road”...will deepen pragmatic collaboration with developing countries, forcefully move forward the construction of Internet infrastructure, eliminate “information barriers”, and reduce the digital divide’ (Lu 2016).

Although China’s leading Internet players are private companies, they share a strong relationship to the Chinese State. Literature by Rebecca MacKinnon illustrates that Chinese technology companies are inextricably associated with government practices of Internet sovereignty via a process she termed ‘networked authoritarianism’ (MacKinnon 2012). This term highlights the fact that Chinese information-shaping strategies are complex and reactive, and MacKinnon’s work emphasises the fact that Chinese networked authoritarianism cannot work ‘without the active cooperation of private companies’ via a system of strict, stringently enforced, and wide-ranging intermediary liability.

How then are China’s aspirations of becoming a ‘strong Internet power’ and the consequent laws, policies, and plans that it has put in place influencing its engagement with the ASEAN region?

This is the central question that this paper will seek to provide answers to. The next section of the paper will be divided into two parts. Part I will assess the ASEAN region and how it fits in China’s Internet power strategy. Part II will outline the diplomatic engagement between China and ASEAN on issues related to Internet infrastructure connectivity, digital economy, Internet governance.

---

<sup>4</sup> The Internet Plus concept was first presented by Chinese Premier Li Keqiang in March 2015 when delivering the government work report. The action plan will integrate mobile Internet, cloud computing, big data and the Internet of Things with modern manufacturing, to encourage the healthy development of e-commerce, industrial networks, and Internet banking, and to help Internet companies increase their international presence.

It will also examine China's Internet companies' presence and activity in the region, empowered by the BRI initiative and Internet Plus plan. This paper will then posit some of the potential political and economic effects of this engagement in the region. Identifying the opportunity for countries to make use of Chinese capital, technology, and expertise to make leap frog advances in digital connectivity and digital economy. But also the potential effects of the region's own legal, cultural and political development of the Internet with respect to privacy, censorship, Internet governance, and so on.

### The ASEAN Piece in the Chinese Puzzle

Southeast Asia is still in the early stages of digital development possessing the promise of large future dividends. The region has about 254 million active Internet users (Kemp 2015), most of whom are getting online via their smartphone (*Internet Society* 2015), and the average Internet penetration across the region is only about 40% (ITU 2015).

**Table 1. Digital ASEAN**

Country	Internet Penetration*	Average Internet Speed (Mbps)**	IDU Index***
Singapore	82%	76.8	#19
Malaysia	67.5%	5.9	#64
Brunei	68%	9.59	#71
Thailand	34%	19.87	#74
Philippines	36.9%	3.42	#98
Vietnam	48.3%	16.6	#102
Indonesia	17.4%	4.77	#108
Cambodia	9%	5.58	#121
Laos	14.2%	4.38	#138
Myanmar	2.1%	5.78	#142
ASEAN Average	40%	15.2	NA
Global Average	44%	23	NA



**Sources:** \*International Telecommunications Union (2016b). \*\*International Telecommunications Union (2016a), The *Internet Society* (2015). \*\*\**Google and Temasek* (2016)

An examination of the region using key ICT indicators (See Figure I) and the ITU's 2015 ICT Development Index (IDU) reveals two clear trends. ASEAN still lags behind on important indicators like Internet penetration and Internet speeds. Moreover, within ASEAN there is a very clear digital divide. On top of the list, Singapore is relatively a digital oasis and exempt from any of these challenges. The other nine countries can be split into three distinct clusters—Malaysia, Brunei, and Thailand; Philippines, Vietnam and Indonesia in the middle; and at the bottom Cambodia, Laos, and Myanmar.

Starting from this low base, Southeast Asia's best years of digital growth are clearly still ahead. The region is expected to grow by 3.4 million Internet users every month between 2016 and 2021, during which the size of the region's Internet economy is expected to expand from US\$6.5 billion presently to US\$200 billion by 2025 (*Google and Temasek* 2016). The expectation is also that the region's economy will be harmonised via the ASEAN Economic Community (Menon et al. 2015).

To reach these targets, however, large amounts of investments need to be made into key digital connectivity infrastructures such as international bandwidth, local bandwidth, and mobile connectivity. An investment of US\$ 1.1 trillion in telecommunications infrastructure is needed between 2010 and 2020 in the Asia-Pacific and US\$ 46 billion of investment in broadband connectivity (Asian Development Bank 2015; Menon et al. 2015). At the moment Internet bandwidth supply through submarine and landline cables is a critical deficiency, particularly in the three countries in the bottom tier. Cambodia has no submarine cable landing station, Laos is dependent upon low-capacity landlines and Myanmar until very recently had just one ageing and low-capacity cable (*Internet Society* 2015). ASEAN's Master Connectivity Plan 2015, created in 2011, includes infrastructure connectivity as one of its 'six strategic thrusts'. But capacity can be created only if the investment is forthcoming (*Internet Society* 2015). According to a 2016 report jointly published by Google and Temasek, the six key challenges the region faces to unlock its ICT potential are: talent, funding capital, payment mechanisms,

Internet infrastructure, logistics infrastructure, and lack of consumer trust (*Google and Tamasek 2016*).

As the next section will reveal, China, with its technical expertise, political draw, and financial capital, is fast emerging as the major partner in bridging the digital divide and tackling these challenges.

### **ASEAN-China: Politics, Development, and the Digital Economy**

ASEAN as an entity has been China's third-largest trading partner since 2011 while China has been ASEAN's largest trading partner since 2009. In 2015, total trade between China and ASEAN stood at US\$ 472.1 billion (*MOFCOM 2016*), and ASEAN received US\$ 8.9 billion in foreign direct investment (FDI) inflows from China, accounting for 7.1 per cent of total inflows (*ASEANstats 2015*).

China-ASEAN cooperation on the technology front can be traced to 2001 when ministers from both sides held a China-ASEAN Seminar on Information and Communication Technology to discuss ICT cooperation. Since 2014, particularly since the launch of BRI and Internet Plus, bilateral activity has been significantly heightened and formalised. In 2014, the first China-ASEAN Cyberspace Forum was held in Nanning Guangxi. A noteworthy summit in the context of China-ASEAN ICT cooperation because it led to the creation of the China-ASEAN Information Harbour held the following year in September 2015. Jointly organised by CAC and the local Guangxi government, where the base for the cyber harbour will be, the Information Harbour is designed to be the umbrella forum for ICT cooperation going forward. As per official design, China-ASEAN cyber engagement will be carried out through the framework of five platforms: infrastructure construction, information sharing, technological cooperation, economic and trade services, and cultural exchanges (*State Council 2015*). One of the flagship projects is to build a China-ASEAN Information Port, envisaged as an international communications network system designed to service ASEAN and southwest China.

Details and specifics from these meetings in the public domain, in either Chinese or English, are limited, with just a handful of reports revealing some outcomes and plans, mostly by Chinese state media, and mostly from the 2015 inaugural summit. The 2nd Information Harbour in September 2016 has far few and less significant outcomes.

At the 2015 Harbour, Xinhua reported that a total 34 projects for a total value of US\$3.3 billion were announced, all which will be eligible for funding from the Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund (Bo 2015). So too was the completion of the China-Myanmar optical cable transmission system built by China Unicom announced (although this project had begun well before) and an agreement to build a cross-border e-commerce platform to boost linkages between small- and medium-sized businesses in the region (*BRICS Post* 2015). In his speech at the launch of the Harbour then CAC head Lu Wei stated that through this initiative China would attempt to 'promote Internet penetration' and 'bridge the digital gap' in the region, while also pooling resources on Internet communication platforms and entertainment (Bo 2015).

While connectivity deals to create an information harbour caught the headlines an equally essential component was aligning ASEAN to China's strategic and political objectives.

At the Harbour, Zhuang Rongwen, CAC Vice-Minister, made eight proposals for the China-ASEAN cyber relationship, including: 'According respect to the Internet-related sovereignty of other countries', and 'the establishment of a multilateral, democratic, transparent Internet regulatory system' (Wang 2015). Lu Wei too, in his address at the inauguration of the forum, raised the issue of adherence to Internet sovereignty (Wang 2015).

China and Laos signed a bilateral Memorandum of Understanding (MOU) on Cyberspace Cooperation and Development at the Harbour. For China, getting the support of the 10 ASEAN countries, many of whom are democracies, is important both to gain numbers and legitimacy to its efforts to create a coalition in favour of a multilateral Internet governance system. All 10 countries are members of the G-77 group of developing countries, a bloc which China works closely with at UN deliberations on Internet governance. The lack of major announcements since 2015 suggests that progress on this front will not be smooth sailing as China would like it to be. However, if it looks like government-level progress is slowing, Chinese major Internet companies are moving fast to pick up any slack.

**Table 2 Major Chinese Private Internet Companies in ASEAN**

Company	Industry	Product	Investments*	Countries
<b>Alibaba Group &amp; Affiliate Ant Financial</b>	E-commerce, e-finance, cloud computing	Aliexpress, Aliyun, UC Browser, Alipay	US\$1 billion for 51% stake in Lazada Group	Singapore
			US\$206 million for undisclosed equity stake in SingPost	
			US\$22 million for an undisclosed stake in M-daq	
			20% stake of Ascend Money (sum undisclosed)	Thailand
			Joint venture with Emtek (sum undisclosed)	Indonesia
			Undisclosed minority stake in Mynt	Philippines
<b>Baidu</b>	Search, mobile, artificial intelligence	hao123.com, Baidu PC faster, Mobomarket	none	Indonesia, Vietnam, Thailand, Malaysia
<b>Beijing Bikelock Technology</b>	Bike Rental	Ofo app	None	Singapore
<b>Cheetah Mobile</b>	Mobile applications	Clean Master, Battery Doctor, Photogrid	None	Indonesia(HQ), Malaysia, Singapore, Philippines, Myanmar, Indonesia, Thailand
<b>Jingdong Mobike</b>	E-commerce	jd.com	None	Indonesia
	Bike Rental	Mobike app	None	Singapore
<b>Tencent Holdings Ltd</b>	Gaming, communication, e-finance	Wechat, QQ, various mobile games	US\$81.7. million acquisition of Sanook	Thailand
			Majority investor in Garena (sum undisclosed)	

Qunar			US\$11 million undisclosed equity investment in Okbee	
			US\$27 million for 49% equity stake in Level UP	Singapore
			US\$1.2 billion for undisclosed stake in Go Jek	Indonesia
	Travel	Qunar Travel App	Undisclosed investment in Grab	Malaysia, Singapore, Philippines, Indonesia, Thailand
	* Equity stake, acquisition, or strategic investment with a local company			

#### Sources:

<p>Inside Retail Asia. 2016. ‘ Baidu Wallet launches Southeast Asia foray’, 17 May, <a href="https://insideretail.asia/2016/05/17/94863/">https://insideretail.asia/2016/05/17/94863/</a> (accessed on 10 January 2017).</p> <p>Khan, Imran. 2015. ‘How Baidu Plans to win Indonesia’, Tech in Asia. 28 September, <a href="https://www.techinasia.com/baidu-plans-win-indonesia">https://www.techinasia.com/baidu-plans-win-indonesia</a> (accessed on 10 January, 2016).</p> <p>Russell, John, 2017a. ‘Alibaba’s Ant Financial extends global reach with first investment in the Philippines’, Techcrunch. 20 February, <a href="https://techcrunch.com/2017/02/20/ant-financial-mynt/">https://techcrunch.com/2017/02/20/ant-financial-mynt/</a> (accessed on 3 June 2017).</p> <p>Soo, Zen. 2017a. ‘Tencent teams with Thai start-up Ookbee to launch content platform’, South China Morning Post. 4 January, <a href="http://www.scmp.com/tech/article/2059323/tencent-teams-thai-start-ookbee-launch-content-platform">http://www.scmp.com/tech/article/2059323/tencent-teams-thai-start-ookbee-launch-content-platform</a> (accessed on 21 January 2017).</p>
--

### Internet Companies in Southeast Asia

Baidu, Alibaba, and Tencent, also referred to in China as ‘BAT,’ are all present in the region through the sale of their products and services and increasingly through investments in local companies. Their international expansion came well before the Internet-Plus, but the plan has certainly added support and overall direction to China’s Internet companies’ ventures abroad as BAT is also followed by other large, fast growing companies such as Cheetah Mobile and

JD, all looking to establish a foothold and grow, especially in markets whose conditions are similar to China's.

Table 2 details all the major Chinese Internet companies that have a presence in Southeast Asia through the sale of their products or investments. There is no comprehensive database that contains all the information. Instead the information was gathered from a combination of company press releases, media reports, and verified where possible with the American Enterprise Institute and Heritage Foundation China Investment Tracker, and *Crunchbase*<sup>5</sup>.

On examining the investment trails, setting up of operations, and selling of products, Singapore, Thailand, Indonesia, and Malaysia emerge as hubs for trade and engagement going forward.

### ***Singapore***

Singapore, the economic and trading hub of Southeast Asia, with over 82% of its population online and one of the highest income levels in the region, is a natural entry point for Chinese companies seeking a mature consumer base and ecosystem. This is especially true for e-commerce giant Alibaba Group.

Alibaba Group is responsible for the two of the three largest investments by a Chinese Internet company in Southeast Asia. In April 2016, it grabbed the headlines with the announcements of a US\$1 billion investment in Lazada, Southeast Asia's largest e-commerce player (*Alibaba* 2016). This followed a US\$ 206 million investment in 2015 for a 14.3 percent stake in SingPost, an eCommerce logistics company with operations in the region, and the subsequent joint-venture set-up of subsidiary Quantum Solutions International (QSI) which specialises in end-to-end eCommerce solutions that include warehousing, and last mile delivery (*Singpost* 2016). While these two deals captured media and investor attention in the region, Alibaba Group affiliate Ant Financial also invested US\$22 million for an undisclosed share in M-daq, a Singapore-based startup that owns a forex product 'Aladdin' designed for e-commerce (Lee 2016). Singapore is also the location of Alibaba's Aliyun's (cloud service) the international headquarters from where it intends to service clients across Southeast Asia, Middle East, and Europe.

---

<sup>5</sup> Crunchbase is a database for discovering industry trends, investments, and news about hundreds of thousands of companies globally <https://about.crunchbase.com/>

The three investment seen together, Lazada (e-commerce), SingPost (logistics), and M-daq (Payments), gives Alibaba full control over what founder and Chairman Jack Ma considers the 'Iron Triangle' of e-commerce on which Alibaba has based its success on.

While Alibaba has proven to be the bigger movers, Baidu and Tencent made the earliest moves. In as early as 2012, Baidu partnered with Singapore's I²R in 2012 to set up a research lab aimed at developing language processing technologies to serve consumers in the region better. Tencent invested a reported US\$172 million in becoming the major stakeholder in Garena, a Singapore-based gaming company. More recently in March 2017, Singapore became the first foreign destination for mobile rental bike companies Ofo and Mobike, both seeking to capitalise on domestic momentum and take their domestic rivalry abroad (Soo 2017b).

### ***Thailand, Indonesia, and Malaysia***

In Table 1, which reveals the three tiers of disparity within the region, Thailand and Malaysia feature in the bottom of the first band while Indonesia sits on the bottom of the second band. These three countries have emerged as key markets for Chinese companies actively seeking to emerge as the provider of technology and capacity-builder of digital innovation. Just as with Singapore, Alibaba is leading the charge.

Malaysia is to be the hub of Alibaba Group's pilot Electronic World Trade Platform (eWTP) initiative. Joining hands with the Malaysia Digital Economy Corporation (MDEC), the country's digital economy development agency, Alibaba is to jointly develop the Malaysian government own flagship initiative, the Digital Free Trade Zone (DFTZ) (Alibaba 2017). Leveraging Alibaba's numerous subsidiaries across sectors, like Lazada Group, mentioned earlier, Malaysia plans to build the Kuala Lumpur Internet city: 1,000 Internet-linked firms and 25,000 tech professionals, taking up five million sq. ft. (464,515 sq. m.) built over 15 years (Foon 2017). The eHub is to function as a centralised customs clearance, warehousing, and fulfillment facility for Malaysia and the region, to deliver faster clearance for imports and exports (Jaipragas 2017).

Alibaba has taken up a role as capacity-builder in both Indonesia and Thailand, too. The Indonesian Ministry of Trade and Alibaba have launched a partnership

to support SMEs in Indonesia, while in December 2016, Alibaba and the government of Thailand announced an MOU to

‘offer e-commerce training to 30,000 Thai SMEs and help build Thailand’s own national E-Commerce platform...collaborate on the creation of a nationwide People and Talent Development Program, which aims to train around 10,000 individuals so they can be proficient in digital technology... establish Thailand as a hub of digital technology and regional data centers in Southeast Asia’ (*Alibaba* 2016).

Alongside this, deals have been plenty as local players have either been acquired or count Chinese companies as an investor. In 2016, Alibaba also announced that it is to invest in a 20 per cent stake in Thailand’s Ascent Money, a micro-finance and personal loans provider with offices across Southeast Asia (*Bangkok Post* 2016). Gaming giant Tencent acquired a Thai gaming company, Sanook, now renamed Tencent (Thailand), for US\$10.52 million, and invested US\$19 million for an undisclosed stake in Okbee, a content Thai publishing platform in 2016 (*Balea* 2017).

In Indonesia, Tencent has invested a headline grabbing US\$1.2 billion in March 2017 for a stake in Go Jek, a transport and shopping service (Russell 2017c). Meanwhile, Alibaba affiliate Ant Financial announced a joint venture with conglomerate Emtek, Indonesia’s second-largest media firm, to develop local services in e-commerce space (Russell 2017b).

In other areas, Chinese companies have directly launched their products for the local market. Alibaba-owned UC browser is the most popular browser in Indonesia and is headquartered in Jakarta with a market share ranging between 41 per cent and 50 per cent according to various media reports (*BGR* 2015). JD recently opened an office here to support the company’s launch of an Indonesia-based version of its e-commerce website while Cheetah Mobile set up an office in Jakarta and partnered up with 20 local partners to bring its popular utility applications to the country (*Cheetah Mobile* 2015).

The nature and the scale of the investments in the region reveal that Chinese companies are serious about expanding and succeeding in Southeast Asia. Through partnerships and acquisitions, Chinese companies are bringing their capital, technology, infrastructure, and know-how, offering the potential to



grow and develop the digital environment in the region, and placing themselves in the prime position to reap the financial rewards.

### **Implications for ASEAN**

Global Internet companies by virtue of the blurry borders in cyberspace, give rise to several issues and questions with regard to censorship, privacy, data protection, etc. These issues are more relevant than ever with China's companies who despite being private entities share a unique relationship with the government. Recent news of the Chinese state-led US\$14.6 billion Internet Plus Fund for technology startups (*Xinhua* 2017b) will only further blur the lines. Therefore, the forays of Chinese Internet companies into foreign markets, including Southeast Asia, has also to be seen in this context.

All Internet companies operating within Chinese jurisdiction are held liable for everything appearing on their search engines, blogging platforms, and social networking services through the legal mechanism of intermediary liability (MacKinnon 2011). In her seminal work on the Chinese Internet, Internet Freedom activist Rebecca MacKinnon claimed that Internet companies inextricably association with the state's practices of Internet sovereignty to be a process known as 'networked authoritarianism' (Mackinnon 2011).

Ranking Digital Rights has a corporate accountability index 2017 which ranked 22 of the world's most powerful Internet and telecommunications companies on their disclosed commitments, policies, and practices that affect users' freedom of expression and privacy. Tencent and Baidu, the two Chinese companies surveyed received an overall score of 22 per cent and 13 per cent respectively making up two of the bottom three of all 22 companies (*Ranking Digital Rights* 2017).

Given the short span of time, most of the above developments have taken place in; there is not a lot of literature analysing the impact. A research project conducted by Sarah Logan (2015) investigated how the relationship between the Chinese state and its Internet companies affected those companies' international expansion by looking at Baidu's expansion into Vietnam in 2011 and subsequent closure in 2014 as a case study. Logan's findings revealed that Baidu's troubles largely boiled down to suspicions and concerns that China was effectively exerting its "Internet sovereignty" over Vietnamese users— through routing of information via Chinese servers, or

restricting the online conversation to fit in line with China's geopolitical goals. It is interesting to note that two of the accusations—subverting local laws through the choice of domain and downloading malicious software—were proved to be false by the author. But even so, the eventual outcome reflected the fact that Vietnamese users saw the Chinese state and its companies as one. In an unrelated incident, Baidu was also accused of facilitating cyber attacks due to reports in 2015 that attributed Baidu's servers as the origin for Chinese cyber-attacks on the United States (Rushe 2015).

Baidu was not the only company to suffer from accusations of doing the state's bidding. Tencent was accused of blocking WeChat users outside China from using the terms 'China Southern Weekend' and 'Falun Gong', which were banned from use in China in 2013. A recent study done by Citizen Lab titled, 'One App Two Systems' revealed that Wechat censorship in the form of keyword filtering on WeChat is only enabled for users with accounts registered to mainland China phone numbers and websites that are blocked for China accounts were fully accessible for International accounts (Ruan et al. 2016). However, the study also found that the keyword censorship is no longer transparent. In the past, users received notification when their message was blocked; now censorship of chat messages happens without any user notification.

## **Conclusion**

As China's strategic goal of becoming an Internet power strategy takes shape, it is increasingly clear that China has integrated this goal into its foreign policy and economic diplomacy with the ASEAN region. Through the BRI and Internet Plus, by design, China's engagement with ASEAN on cyber issues is comprehensive, including building digital connectivity, e-commerce, cyber security, entertainment, etc. China's Internet companies very early on identified and moved to tap the potential of the region, and the CPC has since caught up and is creating a platform to encourage them to deepen this engagement.

This is clearly an opportunity for ASEAN. China can provide much-needed investment in ICT infrastructure and offer a range of leapfrog Internet services and know-how that can be a major economic boost to the region. However, there are also significant risks that need to be acknowledged as China's investment in the region is also tied to political and strategic objectives.

At the macro, national level the risk is of China tying political and strategic allegiances to its investments in an attempt to coerce the region to sign on to its political agenda, which includes promoting the concepts of a multilateral model of Internet governance and Internet sovereignty. The 10 ASEAN countries are important numerically in building an international coalition of countries that support China's policies. Consisting of most democracies, ASEAN is also a legitimiser of China's policies which are painted by the United States and its allies as authoritarian. Then are larger implications of China's massive influence in this realm creeping into and acting as leverage in other thornier aspects of their relationship, particularly the sovereignty dispute over islands in the South China Sea.

At a micro, individual level, while users in the region may benefit from the services provided by Chinese companies, rights of privacy and data security, among others, remain unprotected. It is now widely understood that for all Internet-based services user data is both keys for business models and also for governments to conduct surveillance of populations, censor information and manage discourse. The ASEAN region lacks a comprehensive data protection regime that protects users' privacy and control over their data. The challenge is for the ASEAN countries, collectively or individually, to secure their interests in data privacy, security, freedom of speech, etc.—just as China does with foreign companies. As lessons in other developing countries such as India show, these issues only become more prominent as a larger population and larger parts of the economy become reliant on the Internet. But by signing on to China's larger political agenda now, ASEAN risks tying itself irreversibly to changes that will be made to the Internet now that will affect future generations. Instead, by claiming Internet sovereignty, the very principle prescribed by China, ASEAN countries can create the space they require to legislate and protect their interests.

## REFERENCES

- Alibaba*. 2016. 'Press Release'. 12 April, <http://www.businesswire.com/news/home/20160411006370/en/Alibaba-Acquires-Controlling-Stake-eCommerce-Platform-Lazada> (accessed on 22 January 2017).
- Alibaba*. 2017. 'Press Release'. 22 March, <http://www.businesswire.com/news/home/20170321006662/en/Alibaba-Turns-eWTP-Reality-Creation-Overseas-E-hub>, (accessed on 03 June 2017).
- American Enterprise Institute. 2016. 'China Global Investment Tracker'. <https://www.aei.org/china-global-investment-tracker/> (accessed on 25 January 2017).
- ASEANstats. 2017. 'Flows of Inward Direct Investment to ASEAN by Source Country and Economic Sectors (in US\$ Million)', [https://data.aseanstats.org/fdi\\_by\\_sector.php](https://data.aseanstats.org/fdi_by_sector.php) (accessed on 20 January 2017).
- Asian Development Bank. 2015. 'Sustainability Report 2015: Investing for an Asia and the Pacific Free of Poverty', 23 June, <https://www.adb.org/documents/asian-development-bank-sustainability-report-2015> (accessed on 1 August 2016).
- Baidu. 2017. 'About Baidu's Global Businesses', <http://global.baidu.com/about/> (accessed on 20 January 2017).
- Balea, Judith. 2017. 'China's Tencent doubles down on Southeast Asia', *Tech in Asia*. 4 January, <https://www.techinasia.com/tencent-thailand-ookbee-joint-venture> (accessed on 23 January 2017).
- Bandurski, David. 2015a. 'How Xi Jinping sees the Internet', *China Media Project*. 25 December, <https://medium.com/china-media-project/how-xi-jinping-sees-the-internet-85d7bb065a68> (accessed on 2 February 2015).
- Bandurski, David. 2015b. 'Re-defining cyberspace', *China Media Project*. 10 August 10, <https://medium.com/@cmphku/re-defining-cyberspace-7d085c75440b> (accessed on 2 February 2016).
- Bangkok Post*. 2015. 'Alibaba to buy 20% of CP Group's Ascend Money', 20 June, 2015, <http://www.bangkokpost.com/learning/advanced/1015234/alibaba-to-buy-20-of-cp-groups-ascend-money> (accessed on 25 January 2017).
- Bo, Xiang. 2015. 'Lu's speech at the opening ceremony of China-ASEAN Information Harbor Forum', *Xinhua*. 13 September 13, [http://news.xinhuanet.com/english/china/2015-09/13/c\\_134619792.htm](http://news.xinhuanet.com/english/china/2015-09/13/c_134619792.htm) (accessed on 1 February 2017).

- BRICS Post*. 2014. 'China telecom giant completes Myanmar optical cable line', 24 November, <http://thebricspost.com/china-telecom-giant-completes-myanmar-optical-cable-line/> (accessed on 1 February 2016).
- Cheetah Mobile*. 2015. 'Press Release', 11 August, <http://blog.cmcm.com/en/cheetah-mobile-indonesia/> (accessed on 10 January 2016).
- China Copyright and Media*. 2015. 'State Council Guiding Opinions concerning Vigorously Moving Forward the "Internet Plus" Plan', 17 December, <https://chinacopyrightandmedia.wordpress.com/2015/07/01/state-council-guiding-opinions-concerning-vigorously-moving-forward-the-internet-plus-plan/> (accessed on 2 February 2016).
- China Copyright and Media*. 2016a. 'Outline of the National Informatization Development Strategy', 30 July, <https://chinacopyrightandmedia.wordpress.com/2016/07/27/outline-of-the-national-informatization-development-strategy/.PCL>, (accessed on 7 August 2016).
- China Copyright and Media*. 2016b. 'National Cyberspace Security Strategy', 27 December, <https://chinacopyrightandmedia.wordpress.com/2016/12/27/national-cyberspace-security-strategy/>, (accessed on 3 June 2017).
- Cosseboom, Leighton. 2015. 'China's ecommerce giant JD sets up shop in Indonesia', *Tech in Asia*. 27 October, <https://www.techinasia.com/indonesia-ecommerce-news-jd> (accessed on 10 January 2016).
- Creemers, Rogier. 2015. 'Cyber-Leninism: History, Political Culture and the Internet in China', 1 March, <https://ssrn.com/abstract=2589884> (accessed 15 March 2015).
- Crunchbase*. 2017. 'Grab', <https://www.crunchbase.com/funding-round/408183151e1e7a37318edc21af0ce7c2> (accessed on 25 January 2017).
- Fan, Wang. 2015. 'China proposes deeper cyberspace cooperation with ASEAN', *Europe China News*. 8 September, <http://www.ecns.cn/business/2015/09-15/181131.shtml>, (accessed on 1 February 2016).
- Foon, H. W. 2017. 'Push for digitising Malaysia', *Nation*. 25 March, <http://www.thestar.com.my/news/nation/2017/03/26/push-for-digitising-msia-for-the-country-which-is-developing-a-digital-economy-as-a-new-source-of-gr/>, (accessed on 3 June 2017).
- Gervasi, Marco. 2016. 'Indonesia Is the New Fertile Ground for Chinese Internet Companies', *Yicai Global*. 26 September, <http://m.yicaiglobal.com/news/5118183.html>, (accessed on 27 January 2017)

- Google and Temasek. 2016. 'SEA Economy', [https://docs.google.com/presentation/d/1Bp4KT-W8RF4ZorPUthts8X-B7QHBhsEnY1T5G7XifU0/edit#slide=id.g1421568192\\_0\\_96](https://docs.google.com/presentation/d/1Bp4KT-W8RF4ZorPUthts8X-B7QHBhsEnY1T5G7XifU0/edit#slide=id.g1421568192_0_96) (accessed on 3 June 2017).
- Hanson, Lisa. 2015. 'Garena And Tencent Shine A Light On Southeast Asia's Booming Digital Games Market', *Forbes*. 30 March 2015, <http://www.forbes.com/sites/lisachanson/2015/03/27/garena-and-tencent-shine-a-light-on-southeast-asias-booming-digital-games-market/#1bb0cd642fb8> (accessed on 25 January 2017).
- Huang, Ryan. 2012. 'Tencent takes major stake in Singapore game company', *ZDNet*. 21 August 21, <http://www.zdnet.com/article/tencent-takes-major-stake-in-singapore-game-company/> (accessed on 25 January 2017).
- International Telecommunications Union. 2016a. '2016 Global ICT Development Index', <http://www.itu.int/net4/ITU-D/idi/2016/>, (accessed on 1 August 2016).
- International Telecommunications Union. 2016b. 'Key ICT Data 2005-2016', [https://www.itu.int/en/ITU-D/Statistics/Documents/statistics/2016/ITU\\_Key\\_2005-2016\\_ICT\\_data.xls](https://www.itu.int/en/ITU-D/Statistics/Documents/statistics/2016/ITU_Key_2005-2016_ICT_data.xls) (accessed on 2 February 2016).
- Jaipragas. 2017. 'Malaysian hub a 'key milestone' in Alibaba's plans for eWTP', *South China Morning Post*. 22 March, <http://www.scmp.com/business/companies/article/2081154/alibaba-launches-malaysian-hub-electronic-world-trade-platform>, (accessed on 3 June 2017).
- Kemp, Simon. 2015. 'Talk Digital South-east Asia', *Tech in Asia*. 23 November, <https://www.techinasia.com/talk/digital-southeast-asia-q4-2015> (accessed on 1 February 2016).
- Lee, Emma. 2016. 'Tencent Buys Full Control of Thailand's Sanook To Fuel Southeast Asia Expansion', *TechNode*. 28 December, <http://technode.com/2016/12/22/tencent-sanook/> (accessed on 25 January 2017).
- Lee, Terence. 2017. 'Alibaba spin-off Alipay made a big investment in a Singapore startup, and no one noticed', *Tech in Asia*. 22 July, <https://www.techinasia.com/alibaba-alipay-m-daq> (accessed on 25 January 2017).
- Logan, Sarah. 2015. 'Baidu, Vietnam, and the Bordered World of Chinese Internet Companies', *Centre for Global Communication Studies*. 24 March 24, <http://www.global.asc.upenn.edu/baidu-vietnam-and-the-bordered-world-of-chinese-internet-companies/> (accessed on 1 February 2016).
- Lu Wei. 2016. 'Persisting in Respect for the Principle of Cyber Sovereignty, Promoting the Construction of a Community of Common Destiny in Cyberspace'. *China Copyright and Media*. 2 March, <https://chinacopyrightandmedia.wordpress.com/2016/03/02/persisting-in-respect->

[for-the-principle-of-cyber-sovereignty-promoting-the-construction-of-a-community-of-common-destiny-in-cyberspace/](#) (accessed on 3 March 2016).

MacKinnon, R. 2012. *Consent of the Networked: The World-Wide Struggle for Internet Freedom*. New York, Basic Books.

Menon, Naveen, Soon Ghee Chua, and Nikolai Dobberstein. 2015. 'The ASEAN Digital Revolution - Full Report', A.T. Kearney.  
<https://www.atkearney.com/documents/10192/7567195/ASEAN+Digital+Revolution.pdf/86c51659-c7fb-4bc5-b6e1-22be3d801ad2> (accessed on 1 February 2016).

Ministry of Finance and Commerce, People's Republic of China. 2017. 'China Foreign Trade',  
<http://data.mofcom.gov.cn/channel/includes/list.shtml?channel=mysj&visit=D&type=5> (accessed on 23 January 2017).

Ministry of Foreign Affairs, People's Republic of China. 2017. 'China's Policies on Asia-Pacific Security Cooperation', 8 June,  
[http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1429771.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1429771.shtml) (accessed on 2 February 2016).

*Ranking Digital Rights*. 2017. 'Ranking Digital Rights Corporate Accountability Index 2017'. 27 March, <https://rankingdigitalrights.org/index2015/> (accessed on 29 March 2017).

Ruan, Lotus, Jeffrey Knockel, Jason Q, and Masahi Crete Nishihata. 2016. 'One App, Two Systems: How WeChat uses one censorship policy in China and another internationally', *Citizen Lab*. 30 November, <https://citizenlab.org/2016/11/wechat-china-censorship-one-app-two-systems/> (accessed on 27 February 2017).

Rushe, Dominic. 2015. 'Internet activists blame China for cyber-attack that brought down GitHub', *The Guardian*. 30 March,  
<https://www.theguardian.com/technology/2015/mar/30/china-github-internet-activists-cyber-attack> (accessed on 1 August 2016).

Russell, John, 2017b. 'Alibaba's Ant Financial to develop services in Indonesia as global expansion continues', *Techcrunch*. 12 April,  
<https://techcrunch.com/2017/04/12/ant-financial-emtek-indonesia/> (accessed on 3 June 2017).

Russell, John, 2017c. 'Indonesia's Uber rival Go-Jek raises \$1.2 billion led by Tencent at a \$3 billion valuation', *Techcrunch*. 3 May,  
<https://techcrunch.com/2017/05/03/go-jek-tencent-1-2-billion/> (accessed on 3 June 2017).

*Singpost*. 2016. 'Press Release', 27 October, <http://www.singpost.com/about-us/news-releases/singpost-strengthens-collaboration-alibaba-ecommerce-logistics> (accessed on 1 February 2017).

Soo, Zen. 2017b. 'China's Mobike takes on Ofo in Singapore as bike-sharing competition heats up', *South China Morning Post*. 21 March, <http://www.scmp.com/tech/china-tech/article/2080837/chinas-mobike-takes-ofo-singapore-bike-sharing-competition-heats> (accessed on 4 June 2017).

State Council Information Office, People's Republic of China. 2015. 'China proposes fund to link with ASEAN'. 14 September, [http://english.gov.cn/news/top\\_news/2015/09/14/content\\_281475189715566.htm](http://english.gov.cn/news/top_news/2015/09/14/content_281475189715566.htm) (accessed on 1 February 2016).

State Council Information Office, People's Republic of China. 2010. 'China and the Internet', [http://www.china.org.cn/government/whitepaper/node\\_7093508.htm](http://www.china.org.cn/government/whitepaper/node_7093508.htm) (accessed on 1 February 2017)

Statista. 2017. 'Top internet companies: global market value 2016'. <https://www.statista.com/statistics/277483/market-value-of-the-largest-internet-companies-worldwide/> (accessed on 23 January 2017).

Stephan-Gady, Franz. 2016. 'Wuzhen Summit and Battle over Internet Governance', *China-US Focus*. 6 January, <http://www.chinausfocus.com/peace-security/wuzhen-summit-and-battle-over-internet-governance> (accessed on 1 February, 2016) .

Tech Wire Asia. 2012. 'Tencent Invests \$27M for 49% Stake in Singapore Gaming Company Level Up', 17 August, <http://techwireasia.com/2012/08/tencent-invests-27m-for-49-stake-in-singapore-gaming-company-level-up/> (accessed 20 January 2017)

The Internet Society. 2015. 'Digital Economy', [https://www.internetsociety.org/sites/default/files/ASEAN\\_ISOC\\_Digital\\_Economy\\_Report\\_Full\\_0.pdf](https://www.internetsociety.org/sites/default/files/ASEAN_ISOC_Digital_Economy_Report_Full_0.pdf) (accessed on 1 February 2017).

UC Web. 2015. 'Press Release'. 27 April, <http://www.ucweb.com/a/ppress/2015/0511/4272.html>, (accessed on 1 February 2017).

UNESCAP. 2016. 'A Pre-Feasibility Study on the Asia-Pacific Information Superhighway in the ASEAN Sub-region: Conceptualization, International Traffic & Quality Analysis, Network Topology Design and Implementation Model', February, <http://www.unescap.org/sites/default/files/ASEAN%20report%20final.pdf> (accessed on 5 August 2016).

Xinhua. 2017a. 'Full Text: International Strategy of Cooperation on Cyberspace', 1 March, [http://news.xinhuanet.com/english/china/2017-03/01/c\\_136094371.htm](http://news.xinhuanet.com/english/china/2017-03/01/c_136094371.htm), (accessed on 3 June 2017).

Xinhua. 2017b. 'China launches 14.6 bln USD Internet investment fund', 22 January, [http://news.xinhuanet.com/english/2017-01/22/c\\_136004874.htm](http://news.xinhuanet.com/english/2017-01/22/c_136004874.htm) (accessed on 29 March 2016).



Yu, Eileen. 2016. 'Alibaba extends startup cloud program to Singapore', *ZDNet*. 11 April, <http://www.zdnet.com/article/alibaba-extends-startup-cloud-program-to-singapore/> (accessed on 2 February 2016)

*Zhongguo hulianwang xinxi zhongxin* (中国互联网络信息中心) [*China Internet Information Centre*]. 'Di 39 ci "Zhongguo hulianwangluo fazhan zhuangkuang tongji baogao"' (第39次 "中国互联网络发展状况统计报告") [39th Internet Development Survey], 22 January, [http://www.cnnic.cn/hlwfzyj/hlwzxbg/hlwtjbg/201701/t20170122\\_66437.htm](http://www.cnnic.cn/hlwfzyj/hlwzxbg/hlwtjbg/201701/t20170122_66437.htm) (accessed on 23 January 2017).



The ongoing research of ICS faculty and associates on aspects of Chinese politics, international relations, economy, society, and culture is disseminated through the ICS Occasional Papers.

Issue No/ Month	Title	Author
No. 13 Nov 2016	<a href="#">Exploring Trade and Investment Patterns of ASEAN in Africa: Are they limited by the Bigger Asian Powers?</a>	Veda Vaidyanathan
No. 12 Sep 2016	<a href="#">China's Maritime Silk Route and Indonesia's Global Maritime Fulcrum: Complements and Contradictions</a>	Sanjeevan Pradhan
No. 11 Aug 2016	<a href="#">China, US and Rebalancing towards Southeast Asia: The Case of multilateral Arrangements in the region</a>	Renu Rana
No. 10 May 2015	<a href="#">The China-Pakistan Economic Corridor: India's Options</a>	Alok Ranjan
No. 9. Oct 2014	<a href="#">India And China: An Agenda For Cooperation On Afghanistan</a>	Srinjoy Bose
No.8. Sep 2014	<a href="#">Composition, Intensity and Revealed Comparative Advantage in Sino-Indian Bilateral Trade: A Preliminary Study</a>	Samar Tyagi
No.7. Jun 2014	<a href="#">Territory, Tribes, Turbines: Local Community perceptions and responses to Infrastructure Development along the Sino-Indian Border in Arunachal Pradesh</a>	Mirza Zulfiquir Rahman
No 6. Dec 2013	<a href="#">India-China Economic Relations: Trends, Challenges And Policy Options</a>	Joe Thomas K.
No.5. Aug 2013	<a href="#">China and the Cooperative Architecture in the South China Sea: Prospects and Problems</a>	Sithara Fernando
No.4. Feb 2013	<a href="#">Comparing India and China's Economic Performance since 1991</a>	Manmohan Agarwal

## ABOUT ICS

The Institute of Chinese Studies, Delhi, one of the oldest multi- and interdisciplinary research institutes on China in India, seeks to promote research in areas of history, culture and literature, society, international relations, the economy and polity of China and East Asia. It leads public discourse with regard to India-China relations and facilitates new research in diverse areas. Its chief objectives are to build a national network of China and East Asia scholars, enter into international collaborative programmes for comparative research and expand the frontiers of the study of China in India. It seeks to provide informed and objective inputs in policy formulation through its various publications.

These include:

- ICS Analysis
- ICS Occasional Papers
- ICS Monographs
- *China Report* A quarterly journal of East Asian Studies



8/17, Sri Ram Road, Delhi-110054, INDIA.  
Tel: +91-11-23938202, Fax: +91-11-23830728,  
E-mail: [info@icsin.org](mailto:info@icsin.org), [www.icsin.org](http://www.icsin.org)

# Principal Contributors to ICS Research Funds

