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NEWS ANALYSIS
By Ben Elgin and Bruce Einhorn

The Great Firewall of China

A vast security network and compliant multinationals keep the mainland's Net under Beijing's thumb. But technology may foil the censors yet

Skype had a dilemma. The Internet telephony and messaging service wanted to enter China with TOM Online (**TOMO**), a Beijing company controlled by Hong Kong billionaire Li Ka-shing. Li's people told their Skype Technologies (**EBAY**) partners that, to avoid problems with the Chinese leadership, they needed filters to screen out words in text messages deemed offensive by Beijing. No filtering, no service.

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At first Skype executives resisted, says a source familiar with the venture. But after it became clear that Skype had no choice, the company relented: TOM and Skype now filter phrases such as "Falun Gong" and "Dalai Lama." Neither company would comment on the record.

VAST MACHINE. It's no secret that Western Internet

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companies have to hew to the party line if they want to do business in China. Google (**GOOG**), Yahoo! (**YHOO**), and scores of other outfits, both domestic and foreign, have made concessions to China's censors. The latest high-profile example: In December, Microsoft's (**MSFT**) MSN shut down a Chinese blogger's site at the government's request.

Microsoft maintains it had no choice. "We only remove content if the order comes from the appropriate regulatory authority," says Brooke Richardson, group product manager for MSN.

Getting a phone call from the government is one part of the picture. What few Westerners know is the size and scope of China's censorship machine and the process by which multinationals, however reluctantly, censor themselves. Few also know that China's censors have kept up with changing technologies, from cell phone text messaging to blogs.

EYES PEELING. How do the Chinese do it? Beijing has a vast infrastructure of technology to keep an eye on any potential online dissent. It also applies lots of human eyeballs to monitoring. The agencies that watch over the Net employ more than 30,000 people to prowl Web sites, blogs, and chat rooms on the lookout for offensive content as well as scammers. In the U.S., by contrast, the entire CIA employs an estimated 16,000 people.

Companies, both foreign and domestic, also abet the government's efforts. Virtually all Net outfits on the mainland are given a confidential list of hundreds of banned terms they have to watch for. The list changes over time, based on events such as the recent police shootings in the southern town of Dongzhou.

The rules are even tougher for companies that host their sites on servers in China. This group, which has included Yahoo but not Google, are pressured to sign the government's "Public Pledge on Self-Discipline for the Chinese Internet Industry," the U.S. State Dept. says. Under the agreement, they promise not to disseminate information that "breaks laws or spreads superstition or obscenity," or that "may jeopardize state security and disrupt social stability."

Translation: "If you own something, you're responsible for what's there," says Nicholas Bequelin, a researcher for Human Rights Watch in Hong Kong. That leads companies to "err on the side of caution and self-censorship."

NO "FREEDOM." For those who can't see the characters on the wall, Beijing has plenty of backup. All Internet traffic entering or leaving China must pass through government-controlled gateways -- that is, banks of computers -- where e-mail and Web-site requests are monitored. E-mail with offending words such as "Taiwan independence" or "democracy" can be pulled aside and trashed.

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And when a mainland user tries to open a page that's blacklisted, the gateway will simply deny access. Search for "Tiananmen Massacre" in China, for example, and 90 of the top 100 sites that mention it are blocked, according to the OpenNet Initiative, an Internet watchdog group. The Net operators' response? "We are trying to provide as much information as possible," says Robin Li, chairman of Baidu.com (**BIDU**), China's top search engine. "But we need to obey Chinese law."

The censors are also staying abreast of changes on the Internet. Hackers in 2004 found a list of 987 words that were banned from QQ, China's top instant-messaging program. That same year, phone companies were ordered to install software that blocks text messages with offending terms. And bloggers are barred from posting words such as "freedom" as topics, although they're given a bit more leeway in the actual text of their blog entries.

"WE DON'T TOUCH POLITICS." Even so, since last summer, bloggers have been required either to post their musings on commercial sites that employ filters or to register with authorities, making it easier to track down offenders.

The restrictions have led many companies to make both subtle and substantial changes to their operations on the mainland. The Shanghai podcasting and video blogging service provider Toodou.com checks files before they're posted, and users sometimes report objectionable content. And IDG Venture Technology Investment, part of Boston's International Data Group, has invested in a Chinese company that operates online bulletin boards on real estate, entertainment, technology, autos, and more. But "we don't touch politics at all," says Quan Zhou, managing director of the group's Chinese arm.

China's Internet gateways can cause problems even for those companies that avoid controversial subjects. ILX Media Group, a Greensboro (N.C.) publisher of four Chinese-language medical journals, transmits content from the U.S. to China. But getting complex graphics through Beijing's filters can take days, says Jeffrey Parker, ILX's chief operating officer in Shanghai. "All traffic has to go through the same meat grinder," says Parker. Not that such policies deter investors. Parker, for instance, says he's upbeat about his prospects there.

KEEPING UP? Despite the power and sophistication of China's censors, the march of technology may yet foil them. As more sites add podcasts and user-generated video, China's monitoring efforts will become far more complicated because it's harder to examine such material than it is to check text files.

"How do you filter when everybody has the capability to be their own video blogger?" asks Ross O'Brien, managing director at Intercedent Hong Kong, an IT consulting and research firm. But don't underestimate China's ability to control the Net, just as it has done in the past. Although the battle is far from over, the formula of getting companies to do much of the fighting may keep on serving China well.

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