

China to go after Internet phone services

December 30 2010, By CARA ANNA , Associated Press

(AP) -- China is going after Internet phone services such as Skype in a move to protect the country's state-owned telephone companies, causing alarm among consumers who rely on cheap Internet calls.

A notice by the Ministry of Industry and Information Technology on its website this month says it's working to fight "illegal Internet phone services" but doesn't specify any actions.

Experts say companies like Skype operate in a legal gray area and that the notice is a warning to them not to grow too big or to challenge the state-owned telecoms.

China, which on Thursday announced its number of Internet users rose to 450 million this year, also has a strong interest in exercising tight control over information, and Skype has been a popular tool with activists and others who want to share information relatively freely.

The ministry's move, however, also has business in mind. China has said only state-owned telecoms China Telecom and China Unicom have the right to offer Internet phone services for calls that link telephones and computers.

But few do. The country's major telecoms have been offering Internet phone services only on a trial basis in four cities, according to Kan Kaili, a director of China [VoIP](#) & Digital Telecom Inc., a company that has offered Internet phone services. That leaves the market to the hundreds of small-scale companies have sprung up.

"This notice is actually protecting the telecoms' traditional voice services," said Kan, who is also a professor at the Beijing University of Post and Telecommunications. It's "obviously a wrong thing, absolutely wrong."

The ministry's move is a warning to Skype and similar companies not to expand too much in [China](#), said Wang Yuquan, chief consultant for research firm Frost and Sullivan in Beijing.

"If the ministry hadn't made this announcement, I think Skype would have offered its services in a very large scale. Now, with the announcement, it can't," he said.

[Skype](#) did not immediately respond to a request for comment. Telephones at the ministry rang unanswered Thursday evening.

China's number of Internet phone users is not known, but a commentary in the Beijing News on Thursday estimated it at 15 million.

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