US should revisit media policy on China in light of growing Chinese digital media industry

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Aynne Kokas Credit: Rice University's Baker Institute

Chinese protectionism in the digital media sphere has created a major underdiscussed trade gap between China and the United States, and the U.S. government must place more pressure on the Chinese government to open up the nation's media to foreign competition, according to a new paper from Rice University's Baker Institute for Public Policy.

The paper, "Building a Transparent Web: Transnational Social Media, Cybersecurity and Sino-U.S. Trade," was authored by Aynne Kokas, a fellow in Chinese media at the Baker Institute and a postdoctoral fellow at Rice's Chao Center for Asian Studies. It proposes a range of policy interventions the U.S. should undertake to address the imbalance.

Kokas said the need for increased development of fair digital media markets has emerged out of the rapidly changing nature of digital distribution practices. "Seven years ago, audiovisual materials in the realm of TV, film and radio were much more easily decoupled from their digital distribution sites," she said. "However, in the current environment, delivery portals are so deeply entwined with the dispersal of content that it has become nearly impossible to make clear international policy based on distinctions between digital audiovisual products and digital distribution sites."

The Chinese digital media landscape has evolved from a nationally owned and distributed infrastructure to one in which private Chinese companies are taking a substantive role on the global stage, rivaling other global digital media firms based in the U.S. and Europe, Kokas said. While major U.S. social media companies like Facebook and Twitter are not legally allowed to operate in China, Chinese social media companies not only operate within the United States but also have also raised capital within U.S. financial markets. This list includes market leaders like media portal Sina, which runs the major microblog site Weibo, as well as the "infotainment" Web platform Sohu.com. Both firms are listed on the Nasdaq. The social media platform Renren is listed on the New York Stock Exchange, as is the social video site and YouTube competitor Youku Tudou. Together these Chinese Web and social media companies have raised more than $43 billion from U.S.-based capital markets, according to Kokas.

"When Chinese digital media companies operate openly and globally across a broad range of industries—social media, e-commerce, gaming and entertainment, among others—there is a significant trade incongruity, as foreign companies can only compete with those companies outside of China," Kokas said.

She said the U.S. should consider World Trade Organization (WTO) action to encourage China to open trade in the social media infrastructure. This, in turn, would ensure long-term global competitiveness in the information communication and technology sector.

She proposed four immediate policy interventions the U.S. should pursue:

1. The United States should reiterate a global trade policy stating that American companies must follow local laws when operating overseas to reaffirm U.S. commitment to Chinese domestic sovereignty in the expansion of global media markets.
2. The U.S. government should register a trade complaint with the WTO because of the preferential market access Chinese companies are receiving.
3. The U.S. government should place increased restrictions on Chinese media companies that want to raise capital within U.S. markets until there is greater parity of market access.
4. To protect U.S. consumers of global social media, the U.S. should institute a digital transparency reporting policy akin to required financial reporting by the Securities and Exchange Commission.

"With collaboration and open markets, China and the United States would have the ability to maximize opportunities for innovation in the digital media sphere," Kokas concluded. "At the same time, increased openness also creates a global marketplace within which consumer choice can facilitate safe and useful digital ports in the 21st century."

More information: Paper: bakerinstitute.org/media/files … b-PolicyReport57.pdf

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