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China tightens online video controls, jolting investors

June 22 2017, by Joe Mcdonald

In this April 27, 2017 photo, staff members wait for visitors at a booth for Chinese microblogging website Sina Weibo at the Global Mobile Internet Conference (GMIC) in Beijing. Three popular Chinese internet services have been ordered Thursday, June 22, 2017, to stop streaming video after censors complained it contained improper comments about sensitive issues. The move prompted a sell-off in the U.S.-trade shares of Sina Corp. and its microblog service, Sina Weibo. (AP Photo/Mark Schiefelbein)

Three popular Chinese internet services have been ordered to stop streaming video after censors complained it contained improper comments on sensitive issues. The move prompted a sell-off in the U.S.-traded shares of Sina Corp. and its microblog service, Sina Weibo.

Thursday's announcement adds to efforts by President Xi Jinping's government to tighten media control ahead of a Communist Party congress late this year. Xi is due to be appointed to a second five-year term as party leader.

Video streamed by users of Sina Weibo, AcFun and Phoenix New Media's ifeng.com contained "negative comments" about unspecified sensitive issues, the State Administration of Press, Publication, Radio Film and Television said. It ordered them to stop the services.

Communist leaders promote internet use for business and education but try to block access to material deemed subversive or obscene.

Beijing has been especially wary of social media since they were used by organizers of the Arab Spring protests that spread across the Middle East in 2010 and led to the downfall of the Egyptian and Tunisian governments.

Rules that took effect June 1 bar private or foreign companies from directly disseminating news or investing in online news services. Those that want to work with foreign partners must undergo a security review.

In January, the government announced the launch of a 14-month crackdown on cloud-hosting and content-delivery services. The technology ministry said it forbids use of virtual private networks and leased lines to circumvent government filters and access banned websites abroad.

Following Thursday's order, Weibo Corp. shares fell 6.1 percent on the

Nasdaq market and shares of Sina fell 4.8 percent.

"The company is communicating with the relevant government authorities to understand the scope of the notice. It intends to fully cooperate with the relevant authorities," said a Weibo Corp. statement.

Sina Weibo's main business is a microblog service similar to U.S.-based Twitter Inc. It is one of the world's most popular social media services, with 313 million users as of December, according to the company.

Weibo Corp.'s stock market value surged past that of Twitter early this year. It stood at $15.8 billion after Thursday's selloff—or more than double the $6.2 billion market value of its parent company—compared with $13.2 billion for Twitter.

ifeng.com broadcasts brief news and entertainment videos. AcFun is a video-sharing site that is popular with young Chinese.

In a statement on its Weibo account, AcFun promised to carry out a "comprehensive rectification" of its website management to create a "clear and bright online environment."