

Foreign companies in China brace for VPN crackdown

March 30 2018, by Joanna Chiu



VPNs give users in China a way to see blocked websites such as Facebook, Twitter, Google and Western news outlets

Chinese people and foreign firms are girding for a weekend deadline that will curb the use of unlicensed software to circumvent internet controls, as the government plugs holes in its "Great Firewall".

A [virtual private network](#) (VPN) can tunnel through the country's sophisticated barrier of online filters to access the global internet.

VPNs give users a way to see blocked websites such as Facebook, Twitter, Google and Western news outlets, as well as certain business network tools such as timesheets, email and directories.

But new government regulations unveiled last year sent chills among users of the software, with a March 31 deadline for companies and individuals to only use government-approved VPNs.

Currently, many [foreign companies](#) have their own VPN servers in locations outside of China. But in the future, dedicated lines can only be provided by China's three telecom operators.

Critics have slammed the new policy as a revenue grab that will eliminate cheaper VPN options and make internet users more vulnerable to surveillance.

But some companies are still planning to comply.

"We will apply for a VPN line with (the government)," the chief executive of a foreign-owned technology [company](#) told AFP.

"As a company that is globally-focused based in Beijing, I think that's the best option... because we don't want to break the rules or have our VPN access disrupted," she said, requesting anonymity.

Some embassies in Beijing experienced disruptions to their communications due to restrictions on VPN usage late last year, prompting the European Union delegation to send a letter to the government to complain, diplomatic sources told AFP.

American Chamber of Commerce Shanghai President Kenneth Jarrett warned that foreign companies and their employees could "bear the brunt of the new policies".

"Foreign companies, especially entrepreneurs and smaller companies rely on overseas platforms such as Google Analytics and Google Scholar," Jarrett told AFP.

"Limiting access to affordable VPNs will make it harder for these companies to operate efficiently and just adds to the frustration of doing business in China."

The Ministry of Industry and Information Technology has dismissed concerns that using state-approved providers could jeopardise the security of private data, saying they "are not able to see information related to your business".

'At the mercy of regulators'

A member of China-based anti-censorship group GreatFire.org, which tracks internet restrictions, said the new rules are aimed at wiping out low-cost Chinese VPN providers and increasing control over access to information.

"Are foreign companies at the mercy of Chinese regulators? Yes, probably. Will there be more surveillance? Absolutely," said the member, who uses the alias Charlie Smith.

Under the new licensing regulations, it is unclear whether companies or individuals will be punished for using unauthorised VPNs, or if the software will be blocked.

But on December 21, Chinese citizen Wu Xiangyang from the south

Guangxi Zhuang autonomous region was given a five-and-a-half-year prison sentence and 500,000 yuan (\$76,000) fine.

Wu "illegally profited" from setting up VPN servers and selling software "without obtaining relevant business licenses", according to a news site managed by the Supreme People's Procuratorate.

It was the most severe known VPN-related conviction.

Last September, a 26-year-old man from Guangdong province was sentenced to nine months in prison in a similar case.

Samm Sacks, who researches China's technology policy at the US-based Center for Strategic and International Studies, said it is likely that China will be lenient to most foreign companies.

"We will probably see selective enforcement. So far, there have not been many foreign companies that have experienced problems with their company VPNs," Sacks said.

"It just adds a new layer of uncertainty at a time when foreign companies are already facing a host of challenges to doing business in China," she said.

In the European Chamber of Commerce in China's 2017 survey of its members, companies reported suffering from restricted internet and slow and unstable connections in China, before new VPN restrictions were announced.

"Poor internet connectivity not only damages China's efforts to portray itself as an innovative society, it also impacts overall productivity," chamber president Mats Harborn told AFP.

"Some reported losses of more than 20 percent of their annual revenue as a result."

'No, we don't sell VPNs'

Earlier this month, in the southern trade hub of Guangzhou, a small shop with the letters "VPN" painted in red on its wall said they no longer offered them.

"No, we don't sell VPNs," a Chinese shopkeeper said curtly, refusing to explain why.

But it was business as usual for a nearby store that was licensed to sell VPNs from state-owned telecommunications operator China Telecom.

"We've had no problems. Our clients are mostly Chinese and African traders who want to keep in touch using Whatsapp," a technician said.

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