The commercial internet as known in the West has for some time been in the hands of a very small number of very large corporations. The key “leading companies” (Dolata 2015) of digitalisation, often summarised by the acronym GAFA (Google, Apple, Facebook, Amazon), have successively built up their market power since the collapse of the dot-com bubble in the late 1990s. Today they dominate the commercial internet market in much of the world.

**THE GEOGRAPHY OF DIGITAL CAPITALISM**

If one limits one’s perspective to the commercial internet of the West, one overlooks the places where the GAFA complex has been unable to achieve the position of dominance it occupies in the US and Europe. Two regions of the world, in particular, stand out. In the Russian-speaking world, in the environment surrounding companies like Yandex (originally a search engine, today a complete digital ecosystem) and the Mail.ru group (Vkontakte, Odnoklassniki), players outside of the GAFA complex have been able to hold their ground since the collapse of the dot-com bubble in the late 1990s. Today they dominate the commercial internet market in much of the world.

In China today we see a specific structure of state investment that significantly exceeds that which is known about the history of Silicon Valley. Chinese high-tech strategy is based on a strategic industrial policy with the goal of establishing technological and economic autonomy. This policy is an expression of a state capitalism 3.0, which has been identified as typical of large developing countries (Brink 2016).
but which goes much further than that of other nations in terms of the intensity of strategic planning and its entwine-
ment with authoritarian surveillance policy.

The ten-year plan adopted in 2015 titled "Made in China 2025" (MiC 2025) aims to support the strongest Chinese com-
panies in a number of industrial sectors. Discontent to contin-
ue to play a lower role in global production networks, the
plan aims to create new China-centred structures of produc-
tion by exploiting the dynamic growth of the domestic mar-
ket. These structures are intended to create strength through
their own innovative capacity (Butollo/Lüthje 2017). In this
respect, MiC 2025 is not simply an agenda for digitalisation.
Neither is it a rip-off of Industry 4.0, even if this term has
been broadly adopted in China.

MiC 2025 is augmented – and this is especially relevant to
the questions raised above – by the so-called "Internet Plus"
agenda. MiC 2025 focuses primarily on companies in the in-
dustrial sector and aims to support them in updating their
technology by employing automation and networked infor-
mation technology. The "Internet Plus" agenda takes the re-
verse route by supporting the systematic exploration of the
economic role of the internet. The combination of these two
initiatives puts China in a favourable position to benefit from
digital capitalism. The country is home to a gigantic yet rela-
tively low-tech industrial sector and at the same time possess-
es strong players in the digital economy. To summarise, com-
pared to the situation in other developing countries, American
companies have been unable to dominate the commercial in-
ternet in China.

**POLITICAL INTERESTS IN THE COMMERCIAL INTERNET**

Through a mixture of economic protectionism and targeted
state support of key digital companies, in particular the BAT
complex, national conglomerates have formed in the commer-
cial internet which have since joined the ranks of the world's
most valuable companies. Tencent, for example, became the
first Chinese internet company to join the club of corporations
to rise above a market value of more than $500 billion (Perez
2017).

The political support of the leading companies of the
Chinese commercial internet and their connections to all areas
of the economy and life does no simply follow economic-
political considerations. Rather, the Chinese version of the in-
ternet has been transformed from a place of potential sub-
version into a space which is deliberately used to secure
political control.

Edward Snowden’s revelations a few years ago impress-
ively revealed the enormous possibilities for state surveil-
lance and control that lie in the interconnection between the
national state security apparatus and the leading commercial
internet companies. In light of what exists currently or is be-
ing developed in China, the fervent data collection of West-
ern intelligence organisations and the willingness to coopera-
tively by the GAFA complex appear to be merely the first steps
of digital state surveillance within the context of the merging
of corporations and state control mechanisms.

In China, this refers not just to the more than two million
censors – many of whom are employed directly by the BAT
corporations – who actively monitor public opinion. Even
more significant are two recent large-scale projects which
underscore the close relationship between the BAT complex
with the agents of state surveillance and control. The first is
the development of a system of Social Credit Scores. Mod-
elled on the example of a private credit rating system devel-
oped by Alibaba not unlike the German SCHUFA, the social
scoring system is designed to consolidate and index all traces
left by individuals online, resulting in a single number re-
flecting the quality of each citizen and consumer (Mau 2017).
The resulting score regulates people’s access to individual
opportunities: access to credit, educational institutions and
job markets, even the right to use commercial airlines or
high-speed trains is determined by the banal behaviour bun-
dled in each person’s score. The overarching principle of this
instrument for disciplining the population can be summed
up as such: “If trust is broken in one place, restrictions are
imposed everywhere.” (Denyer 2016)

While the Social Credit Score system is still primarily con-
cerned with collecting data on the internet, a new co-opera-
tion between state authorities and the internet company
Baidu (often referred to as “China's Google”) revolves around
the control of data in the non-virtual world. Currently the
company is systematically installing cameras in critical public
spaces. Not only does the system employ highly developed
facial recognition software (Chen 2017), it can also identify
people whose faces are covered by profiling their gait. Both
online and offline, individuals are supposed to be perma-
nently traceable.

**GROWTH MODEL: DIGITALISATION OF THE DOMESTIC MARKET**

The threatening face of state control changes nothing about
the fact that the digital economy could become an important
driver of industrial development. This is not due to the exist-
ence of BAT per se. It is rather the effect of the combination
of internet giants with strategic industrial policy and a fast-
growing domestic market. Digitalisation is therefore the driv-
ning force behind the development of Chinese brands that
tailor their products for the specific requirements of local
consumers.

A variation of this approach is being tried by the more
technologically advanced companies of the consumer goods
industry. The leading manufacturers of household applian-
ces, for example, advertise that their highly automated, “net-
worked” factories – in line with the "Industry 4.0" model –
produce personalised products. Though this form of cus-
ustomisation remains limited to insubstantial, superficial
features of the goods, the companies are able to create cus-
tomer loyalty but also bind consumers to them via their user
platforms, through which, for example, recipes are shared.
And so the customer is buying more than just a fridge,
washing machine or air conditioner. In fact, the industrial
companies are marketing the personal data of their custom-
ers as their unique selling point.
A thoroughly different variation of product personalisation is being built using the advantages of digital platforms. The strength of Chinese internet corporations was in part achieved through the rapid growth of e-commerce. This is especially true in the case of Alibaba’s platform Taobao and Tencent’s WeChat app, but also when it comes to many small specialised platforms. A key for the success of Alibaba was the role of the company as a b2b (business-to-business) platform, which connected foreign purchasers with Chinese suppliers (often downright sweatshops). Through the platform, suppliers could be found for the specific requirements of foreign companies – a different type of product-on-demand.

The b2c (business-to-consumer) division of Alibaba was able to build on these strengths and apply them to the domestic market. The platform offers relatively low-tech companies the opportunity to win contracts. The so-called Taobao villages have received much attention: Often backwards in economic terms, these are clusters of small and tiny producers who are systematically integrated into the digital economy (Rüesch 2014). The technological level of the individual supplier is not a significant factor when it comes to belonging to the on-demand economy of the platform companies. The required flexibility and the matching between companies and customers, which is performed entirely by the platform, satisfies the diversified network and precisely herein lies its potential for gradual technological advancement.

The growth of the huge domestic market offers favourable conditions for this to occur, not just on the basis of the resulting economies of scale, but mostly due to the specific structure of the consumer base. The mid-level quality segment of the market is especially competitive. Chinese companies can compete with Western firms because they offer comparable quality at lower prices. The race for these markets has been identified as a driver of industrial advancement (Brand/Thun 2010). By employing digital resources, Chinese firms can build on their most important advantages: direct access to the market and the capability to deliver goods according to the specific demands of local consumers.

This impressive progress should, however, not distract from the underlying problems of the Chinese economy. The weakness of the innovation system and the relative technological backwardness compared to the West remain perennial issues, not mentioning the problems of growing labour disputes due to ongoing poor working conditions and the macroeconomic imbalance thanks to (relatively) weak domestic demand. Still: the digital economy is a powerful catalyst that shows that the Chinese government’s plan to catch up with the US and Europe technologically by 2049, is no pipe dream.

THE COMING EXPANSION?

Beyond the continuing digitally supported integration of the domestic market, one must, in this context, address the question of the transnational expansion of the BAT companies. Alibaba and Tencent, in particular, play important infrastructural functions and form crucial nodes for the digital model of domestic consumption. However, in the area of global integration of Chinese companies in the context of an export-driven growth model lies a second significant aspect of Chinese economic policy. With the “One Belt, One Road” initiative, the development of transcontinental transport routes over land and water, an investment programme of an unbelievable scale has been put into action. The plan’s aim is the seamless integration of Chinese companies into the world market.

At the same time, one can observe how parts of the BAT complex are themselves internationalising. Not only are all three corporations listed on the New York Stock Exchange, Alibaba and Tencent, in particular, have embarked upon expansion beyond their home market. The remaining “neutral” markets are currently being targeted in the expansion efforts. In particular, Southeast Asian countries with a rising middle class that enjoys considerable spending power, show similarities to China. Meanwhile, in India, Alibaba and Amazon have been engaged in a fierce price war for a significant share of the growing e-commerce market.

If one takes account of the specific qualities of the Chinese version of digital capitalism, one can assume that the internet platforms will also play a significant strategic role in the development and integration of the Chinese export model. Already today so-inclined customers in Germany can order Chinese hardware through Aliexpress, though they still have to wait for about two weeks for delivery. With the combination of state investment in infrastructure (“One Belt, One Road”) and the stronger international role of Chinese internet platforms this time span could be reduced to a period of a few days and the domestic digital consumption model of China could expand globally through these leading digital companies.

The economic interests of the GAFA complex and the venture capital that supports these companies would be affected by these developments. Until now the platforms based on the American West Coast have formed the key gateways for digital consumption processes in large parts of the world (Staab 2016).

IMPENDING COMPETITION OF NETWORKS?

The potential expansion of Chinese internet corporations into GAFA’s territory raises several questions: for example, under which conditions could co-operations between GAFA and BAT be possible in tertiary markets? What would the balance of power look like in the case of open conflict for market supremacy? On the one hand, the case of UBER in China has shown that co-operations under Chinese leadership are conceivable: following a phase of destructive competition, the $70 billion American start-up quit the field after it was offered a hefty share in competitor Didi. On the other hand, one sees in the aforementioned battle between Alibaba and Amazon over the Indian market that lengthy price wars are thinkable. decisive for the duration and outcome of such battles for market power will be the depth of the coffers of the Chinese companies that are closely tied to the Chinese state and its vast state funds. Finally, one
must raise a question relevant to security policy: will the expansion of Chinese platforms result in a shift in control of global internet user data from the American West Coast to the Chinese East Coast?

Authors

Dr Philipp Staab is a research fellow at the Chair of Macrosociology at the University of Kassel and Permanent Fellow at the Institute for the History and Future of Work (IGZA) in Berlin.

Dr Florian Butollo is a research fellow in the field of “work in highly automated digital-hybrid processes” at the newly founded Weizenbaum Institute for Networked Society in Berlin.

Notes on the text

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