



# China's Great Firewall: Business Implications

By China Briefing  
Editor: Alexander Chipman Koty  
Word Count: 1043



The Great Firewall, the popular term for the regulations that govern the internet in China, has substantial implications for foreign internet companies looking to enter the Chinese market, as well as for companies simply trying to access overseas websites and internet services.

Foreign companies should develop a comprehensive strategy to navigate the operational issues that arise as a result of China's idiosyncratic internet landscape, whether they are in an industry directly affected by the Great Firewall or not.

## What is the Great Firewall?

The Great Firewall is the sum of the legislation and technological systems that collectively regulate the country's internet. China's regulation of the internet began in the late 1990s, particularly with the passing of law CL97 in 1997 – the first to criminalize cybercrime in China – and the Golden Shield project in 1998, which sought to prevent some types of foreign data from being accessed in China



China uses several sophisticated methods to regulate the internet. The two most well-known are IP-blocking, where routers drop traffic heading towards a blacklisted IP address, and DNS tampering, in which DNS servers respond to a query with a falsified DNS address, thereby leading to a false domain.

Because access to foreign websites is filtered through the Great Firewall, accessing them is considerably slower than accessing domestic ones. This is particularly true during high-usage times of the day, such as weekday evenings, as higher activity levels create a bottleneck.

For domestic websites, regulators can contact companies to remove sensitive material or delete content outright. The Great Firewall promotes self-censorship, as most companies and individuals censor themselves to avoid non-compliance.

## Who is blocked?

The Great Firewall blocks access to eight of the top 25 most popular websites globally, including Google, Facebook, and Twitter, under the name of protecting national security. Many other social networking applications are blocked, such as Snapchat and Instagram.

While certain foreign news services are blocked – like the New York Times and Bloomberg – many others – including the Guardian and BBC – are not. Some websites are not completely blocked, such as Wikipedia, but some specific pages cannot be accessed. Other websites and internet services oscillate between being blocked and unblocked, including the coding website GitHub.

In addition to these high-profile websites, the Great Firewall blocks thousands of websites deemed to host violent and pornographic content, or other illegal content.

There are no formal criteria to determine when a website will be banned, nor is there a formal appeal process for companies or individuals to protest a ban. However, there are some informal standards.

No government to date has made a formal complaint to the WTO that China's Great Firewall is a trade barrier. However, China's invocation of public morality was recently rejected by the WTO as a justification to ban US books, magazines, and films.

## Is using a VPN illegal?

VPNs are the most common tool used by both businesses and individuals to bypass the Great Firewall. Using a VPN in China is not illegal, but illegal activities carried out through using one obviously are. Accessing banned websites is generally considered mischievous, but not illegal.

Operating a VPN service in China is not illegal either, as long as they are registered with authorities. Foreigners must enter into a joint venture with a Chinese partner to establish a VPN service.



However, given that VPN services in China will be affiliated with state-owned telecom companies like China Unicom and China Telecom, who may be requested to share information with the government, those looking to skirt the Great Firewall will use a foreign VPN service.

Using a foreign VPN service is not illegal. However, foreign VPNs might have their websites blocked by the Great Firewall to begin with, and Chinese authorities may suppress the effectiveness of their services.

## How does it impact most businesses?

For overseas companies whose core business is not directly affected by the Great Firewall, the effects on productivity and day-to-day operations should be considered. Many companies either set up their own corporate VPNs for internal use or subscribe to a corporate VPN package for their China offices, regardless of their industry.

Accessing foreign websites is already slower than accessing Chinese ones, and using a VPN to bypass the Great Firewall usually slows the connection even more. Sometimes VPN services or individual connections can stop functioning properly for hours or even days at a time, leading to unexpected drops in productivity.

A senior IT expert based in China comments, “VPN tunnels using L2TP or PPTP protocols are more prone to drops in service. We have noticed that these kinds of VPN connections have stopped working regularly since earlier this year, while it appears IPsec VPN tunnels have not been impacted so far.”

Businesses must also consider the software and internet services they use in their China offices. Many companies with multiple offices use cloud-based services such as DropBox, Google Documents, and GitHub to share resources across different locations. Because these services do not function normally in China, businesses must determine whether they can be used effectively with a VPN, or find an alternative such as Microsoft SharePoint or a Chinese cloud sharing platform like GoKuai.

## Will the Chinese government ban VPN use?

The public security bureau in the southwestern Chinese city Chongqing recently issued regulations that would punish individuals and organizations caught using virtual private networks (VPNs) to access banned websites. Those caught violating the regulations will receive a warning to disconnect from the internet, and those using a VPN to make a profit exceeding RMB 5,000 (US\$730) face fines between RMB 5,000 (US\$730) and RMB 15,000 (US\$2,200).

However, such crackdowns on illegal VPNs are not to be mistaken with comprehensive changes in policy. While this development raised alarm bells among observers who fear that VPNs may be outlawed in China, media reports stated that the crackdown targeted unlicensed VPN providers, rather than individual VPN users.



China's government recognizes the necessity of VPNs for many businesses, especially foreign ones, and is therefore likely to continue to accept their use going forward. Many state-owned enterprises even have a presence on blocked platforms like Facebook and Twitter for targeting overseas customers and business partners. VPNs are also often used not to bypass the Great Firewall, but to establish a secure connection for transferring important documents or communications.

As a reminder, if you choose to publish any of our content, please include the following caption at the end of the article:

*This article was first published on [China Briefing](#).*

*Since its establishment in 1992, Dezan Shira & Associates has been guiding foreign clients through Asia's complex regulatory environment and assisting them with all aspects of legal, accounting, tax, internal control, HR, payroll, and audit matters. As a full-service consultancy with operational offices across China, Hong Kong, India, and ASEAN, we are your reliable partner for business expansion in this region and beyond.*

*For inquiries, please email us at [info@dezshira.com](mailto:info@dezshira.com). Further information about our firm can be found at: [www.dezshira.com](http://www.dezshira.com).*