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# Competition Between Chinese and United States Companies in the Internet Market

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## Abstract

World's Internet market is dominated by the companies based in United States, but fast growing Chinese companies try to challenge them, and already took the second position. Their success is based on economies of scale and network effects gained thanks to their operations in the Chinese market. This two strategic advantages enable Chinese companies to successfully compete in the global Internet market. Research presented in this paper positively verifies hypothesis that PRC authorities contribute to the success of its companies through discriminatory practices, that do not allow foreign corporations to expand their operations in the Chinese market.

**Keywords:** Internet, China, discrimination in trade, internet censorship

## Introduction and Methodology

At the end of the twentieth and early twenty-first century corporations originating in the United States, gained dominance in the global Internet market. United States companies proved to be the most competitive in the branches of search engines, social networks, and ecommerce. However, in the recent years this situation begin to change, when Chinese companies joint the competition, gaining substantial shares in all of abovementioned markets. Originally they developed mainly in the rapidly growing local market. During this period PRC authorities protected local Internet companies using many methods and excuses to stop foreign corporations from entering the Chinese market. Thanks to that help local firms gained substantial revenues, financial resources, network effects, and advantages of economies of scale. It enabled them to expand to the foreign markets, and become fierce competition for U.S. companies. PRC government denies their active role in building strategic position of Chinese enterprises. This leads to the following research hypothesis: PRC authorities block American companies access to the local Internet market to support development of network effects, and advantages of economies of scale of Chinese enterprises to enable them to compete in the global market. The scientific aim of the article was to analyse the impact of Chinese government on the development of global Internet market. The method used in research were case studies of all of the major Chinese corporations operating in the Internet market, and of their foreign competitors. The study revealed that all of the Chinese companies that are now operating in the global scale at some point had to face competition from U.S. corporations. In each of these cases it were not only endogenous core competencies of the companies, but also PRC authorities support that protected them in the local market that enabled global expansion. The study covered the whole population of Chinese companies listed in the global ranking of 20 websites with highest number of average daily visitors and pageviews.

## Literature Review and Theoretical Aspects of the Competition Between Chinese and United States Companies in the Internet Market

The issue of Chinese support for the local Internet companies didn't appear in many research papers so far. Only a few scientists like Bill Dodson (26) describe Chinese practices as unfair and beneficiary for the development of local enterprises. In the majority of publications about the Chinese Internet market we can read mostly about its fast development and its measurement. Among others it was a subject of the research of the scientists: John Wong, Ling Kim, Seok Nah (18), and Jing Tan with Stephan Ludwig

(408). There are also many papers published in the subject of human rights and political aspects of Internet censorship in China. The aspect of the influence of the development of Internet and democratization of PRC was researched by Johan Lagerkvist (11). Another scientist, Michael A. Santoro (72) proved that there are many western companies that agreed to cooperate with Chinese authorities in the matters of censorship to gain market access. There is also substantial number of publications on ethical dilemmas facing American Internet corporations in China. They were usually connected with sharing sensitive information about users with governmental agencies and self-censorship. In cases like that American firms were unable to find any good solution. On the one hand they could disagree to cooperate with the government, but then their websites were usually blocked by the authorities. In this scenario they could not access Chinese market, which was the fastest growing, and potentially the biggest in the world. On the other hand they could cooperate, and use their data to oppress opposition, and implement self-censorship. In that case scenario corporations had to consider possible repercussions on other markets, like loss of good reputation or boycott of their services by politically aware users (Tan et al., 469). Other authors, like Christopher J. Westland and Sherman So (86) point out that blocking western websites is beneficial for Chinese companies, but they also that scholars concentrate research on the issues connected with freedom of speech rather than economics. Political scientists Fredrika Erixona, and Hosuk Lee-Makiyama (2) claim that Chinese authorities use censorship as a tool of discrimination. According to their study the economic rights of other countries get violated by actions to censor the Internet and online communication. They suggest that censorship in China could be reduced by enforcing its World Trade Organization (WTO) commitments. Also journalist Kevin Holden advises that U.S. should move to extend their victory in the WTO's dispute settlement forum, which ruled in 2012 that Chinese barriers to the import and distribution of American audio-visual products, films, music, books and newspapers all violated WTO rules. U.S. Trade Representative could file a new complaint to obtain a similar injunction against Chinese controls on web-based video, media, and communication platforms (Breaking Through China's Great Firewall). As China joined the WTO in 2001 it is obligated to obey its rules and regulations. One of them is a "National treatment" rule under which foreign and domestic services should be treated equally, without discrimination. The same should apply to foreign and local trademarks, copyrights and patents (Wang, 56). This principle of "national treatment" (giving others the same treatment as one's own nationals) is found in all the three main WTO agreements (Article 3 of GATT, Article 17 of GATS and Article 3 of TRIPS). Chinese government claims that they are not breaking those rules, and points out that they have a right to take measures to protect essential national security interests (Article 21 of GATT, Article 15bis of GATS and Article 73 of TRIPS). On the other hand Chinese politicians do not hide that the impact on the global cyberspace has become an important part of PRC governmental strategy. In October 2016 in one of his speeches president Xi Jinping called for "a greater voice from China in setting the rules of the Internet, as well as greater efforts to build China into an Internet power" (Hua). PRC authorities clearly use exceptions to WTO agreements to circumvent country's trade commitments and support development of Chinese companies. Under the excuse of the protection of local population the Communist Party of China blocks the access of American companies to the local Internet market. In 2016 United States Trade Representative for the first time listed Chinese Internet censorship as a trade barrier for U.S. firms. The annual National Trade Estimate Report on Foreign Trade Barriers states that "China's Internet regulatory regime is restrictive and nontransparent, affecting a broad range of commercial services activities conducted via the Internet" (Froman, 91). Cyberspace Administration of China (CAC), which is the central Internet censorship, oversight, and control agency, responded to this accusations with the statement asserting that "he aim of the Internet security inspection system is to guarantee the security and controllability of information technology products and services, safeguard user information security, and strengthen market and user confidence" (Miranda). CAC also claimed that "China scrupulously abides by WTO principles and its accession protocols, protects foreign enterprises' lawful interests according to law, and creates a fair market environment for them" (Shirk). In the light of case studies analysed in this paper, this statement is far from being true.

## United States and Chinese Corporations in the Global Internet Market

Specific criteria had to be established to choose the most important companies to conduct the research. As Internet corporations operate in various specific branches (like search engines, social networks or ecommerce) the only comparable measure of their importance is the number of users of their services.

**Table 1.** The list of the websites with the highest number of users calculated by the combination of average daily visitors to company's websites and pageviews over one month

| | | |
|---|---|---|
| 1 | Google.com | USA |
| 2 | Facebook.com | USA |
| 3 | Youtube.com | USA |
| 4 | Baidu.com | China |
| 5 | Yahoo.com | USA |
| 6 | Amazon.com | USA |
| 7 | Wikipedia.org | USA |
| 8 | Google.co.in | USA |
| 9 | Qq.com | China |

| | | |
|---|---|---|
| 10 | Twitter.com | USA |
| 11 | Live.com | USA |
| 12 | Taobao.com | China |
| 13 | Msn.com | USA |
| 14 | Yahoo.co.jp | USA |
| 15 | Linkedin.com | USA |
| 16 | Sina.com.cn | China |
| 17 | Google.co.jp | USA |
| 18 | Weibo.com | China |
| 19 | Bing.com | USA |
| 20 | Yandex.ru | Russia |

Source: ***The top 500 sites on the web***, "Alexa". Web. 25 October 2016, http://www.alexa.com/topsites.

United States companies dominate the list of 20 top sites on the web with 14 entries, second are Chinese firms with 5 entries. As February 2016 there was also one Russian website on the list.

Case studies analysed in this paper proved that all of the Chinese companies that appeared in the Table 1 benefited from the discriminatory practices aimed at American companies on the PRC market. In some cases support of PRC government is the only reason for these companies to exist. The aptness of sample selection criteria can be confirmed by the high market capitalization of chosen companies visualized in the Chart 1.

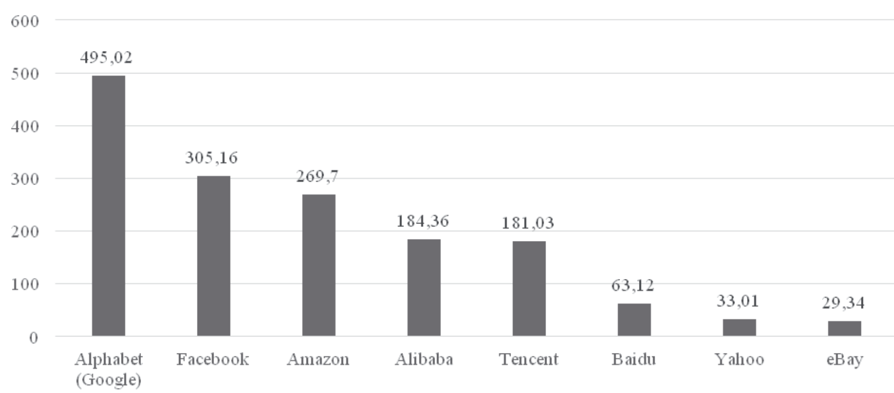


**Chart 1.** Market value of the 8 Internet companies with the highest capitalization in the world on the March 5, 2016.
Source: Own elaboration based on the data provided by „Google Finance." Google. Web. 05 March 2016, https://www.google.com/finance

As much as 3 out of 8 Internet companies with the highest market capitalization globally (Alibaba, Tencent and Baidu), are Chinese. These relatively new firms are the only significant competition of Alphabet, Facebook and Amazon.

It is important to mention that market capitalization of a company can only confirm adequate choice of firms used in the case study. Value of shares can be very volatile, so this indicator can only confirm the choice. Number of users presented in the Table 1 is not a subject of such large fluctuations.

Case studies chosen for the research include pairs of companies that compete directly in the certain branches of web business. Alphabet (owner of Google) provides mostly the same services as Chinese Baidu. Both companies operate their own search engines, navigation services, mobile application stores, and many other similar businesses. Also both of them put big efforts into creation and implementation of self-driving cars. In the business of video streaming major global competitors are YouTube (owned by Alphabet), and Youku Tudou Inc. In case of Facebook the most important global rival is Chinese Tencent, owner of social networking sites and instant messaging applications, like QQ and WeChat. In the ecommerce market the major challengers are Alibaba Group (the owner of Alibaba.com and Taobao.com), Amazon and eBay. Chinese adversary of Twitter is Sina Weibo.

## Case Studies of Chinese Corporations Operating in the Internet Market that Benefitted from PRC Government Discriminatory Practices Aimed at their U.S. Competitors

American corporation that suffered the most form the PRC government discriminatory practices was Alphabet (former Google). China blocked company's operations in many branches of its Internet business. First of all Chinese users of Google search engine were multiply blocked from accessing the website. After google.cn domain was completely banned corporation had to move to Hong Kong, and currently operates in the Chinese market as google.com.hk. As American competition vanished from the market for several months, local company quickly emerged. Search engine called Baidu had all of the features and functionalities previously offered by Google. Moreover Chinese authorities actively supported Baidu by automatically redirecting all of the entries to the Google websites to http://www.baidu.com (Rosencrance).

Eventually Alphabet came to an agreement with the government and was allowed to operate in China through its Honk Kong subsidiary, but it was already too late. Google services were not available in the key moments of the most dynamic development of Chinese market. That is why Google never managed to attract such a large number of users as Baidu, which dominates the market covering over 80% of it (Chart 2).

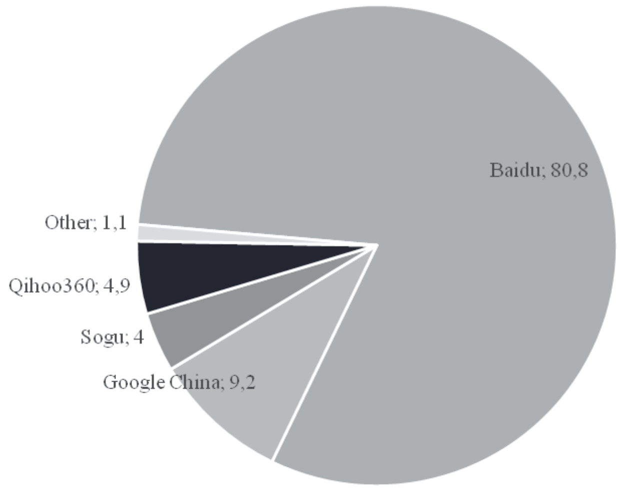


**Chart 2.** China search engine market share by advertising revenues in (%) in 2015
Source: ***China Search Engine Market Overview 2015***, China Internet Watch. Web. 18 April 2016, http://www.chinainternetwatch.com/17415/search-engine-2012–2018e/.

It proves that the decision to block Google had negative impact on the development of American company, and was crucial for the emergence of Baidu. Chinese search engine market during 2012–2015 period grew on the average pace of 42% year to year and reached 12,48 billion of USD in 2015 (China Search Engine Market Overview 2015). Vast majority of Baidu users are Chinse, but revenues from the local market enabled global expansion of the company. In 2015 as much as 5,4% of people using Baidu lived abroad (Distribution of global visitors).

**Table 2.** Share in the global advertising revenues in search engines sector

| | 2013 | 2014 | 2015 |
|---|---|---|---|
| Google | 55,2% | 54,7% | 54,5% |
| Baidu | 6,4% | 7,6% | 8,8% |
| Microsoft | 3,7% | 4,1% | 4,2% |
| Yahoo! | 2,9% | 2,5% | 2,3% |
| Sohu | 0,3% | 0,5% | 0,6% |
| Other | 31,5% | 30,5% | 29,5% |

Source: ***Google Will Take 55% of Search Ad Dollars Globally in 2015***. "Emarketer". Web. 31 March 2015, http://www.emarketer.com/Article/Google-Will-Take-55-of-Search-Ad-Dollars-Globally-2015/1012294

In 2015 Baidu revenues reached 7,2 USD billion, which constituted 8,8% of the world market (Table 2). However leadership of Google is not threatened yet, it is worth noticing that Baidu's share in the global search engine market continuously rises. It is undeniable that Chinese government ensured oligopolistic position of Baidu in the local market, played an important role in that success. It is also worth noticing that Google blockage enabled creation of another web portal called Sohu, which revenues in 2015 reached 520 USD million, which accounted for 0,6% of the global market. Sohu similarly do Baidu, dynamically increases number of its clients, and during the years 2013–2015 almost tripled its revenues (Google Will Take 55% of Search Ad Dollars Globally in 2015).

An important aspect of discriminatory actions against Alphabet that supports further development of Baidu is the blockage of Google Maps. It would be extremely hard to explain in what way censorship of navigation services could be related to the essential national security interests. Especially if such services were available for many years, before Chinese company could provide customers with the product comparable (in quality) to American. Google Maps were banned on May 2014, and this move was obviously aimed to support Baidu navigation services. The blockage of Alphabet navigation services coincided with signing up a new deal between Baidu and Nokia that gave Chinese company an opportunity to use mapping services provided by Finish firm. The contract was signed in December 2014 (Tung), just six months after Google Maps were swiped out of the Chinese market. In that specific case Chinese authorities not only ensured monopoly of Baidu in the local market, but also supported its expansion to foreign markets. Revenues and economies of scale that Baidu gained in China made it possible to acquire Finish technologies from Nokia and offer their navigation services also in the foreign markets.

Another branch of Chinese Internet market that is banned for Google is digital distribution. As online sales of software, mobile applications, video games, audio, video or press has become to be profitable business Alphabets' store called "Google Play" was blocked. Similarly to other cases censorship could cover only the content distributed by the store, but instead of that the whole business was banned. What is interesting "Google Play" operated freely to 2014, and only when significant Chinese competition emerged it was blocked. From that moment major distribution stores in China are: Baidu App Store, Tencent App Gem, Xiaomi App Store and others. All three companies that benefited the most form the ban are major global competitors of American enterprises. The losses suffered by Google are high and difficult to assess. Popular digital distribution platform gives almost limitless possibilities of expansion. It can be used not only to sell (for commission) other entities products, but also as a marketing and distribution tool for own software, goods and services.

Another organization which sites were multiply blocked by Chinse censorship is Wikipedia (Barak). It may seem that banning non-profit organizations' website, that is financed by users' donations has no economic impact, but is not true. After few years Wikipedia was unblocked by the censors, and only the access to several of 5,1 million of English language (Statistics) entries is still unavailable. During the time that Wikipedia was completely blocked Baidu introduced its own Baidu Baike encyclopaedia. Both services are similar, the major difference between American and Chinese Internet encyclopaedia is that Baidu Baike brings substantial revenues from commercial services (to the Baidu corporation). In 2016 Baidu Baike had 13,9 million entries (Baidu Baike) in Chinese, much more than its American competitor in English. Another for profit organization that benefited from blockage of Wikipedia was Chinese encyclopaedia Hudong. It also displays commercials every time someone opens any of its 15,5 million entries edited by 11,3 million volunteers (Hudong). There is no doubt that such ventures could not develop so dynamically if Chinese version of Wikipedia would be available from the very beginnings of Internet in PRC. American organization would be tough competition even if that would be a censored version of encyclopaedia.

Another interesting case study of rivalry between Chinese and American Internet companies is the market of social services and instant messengers.

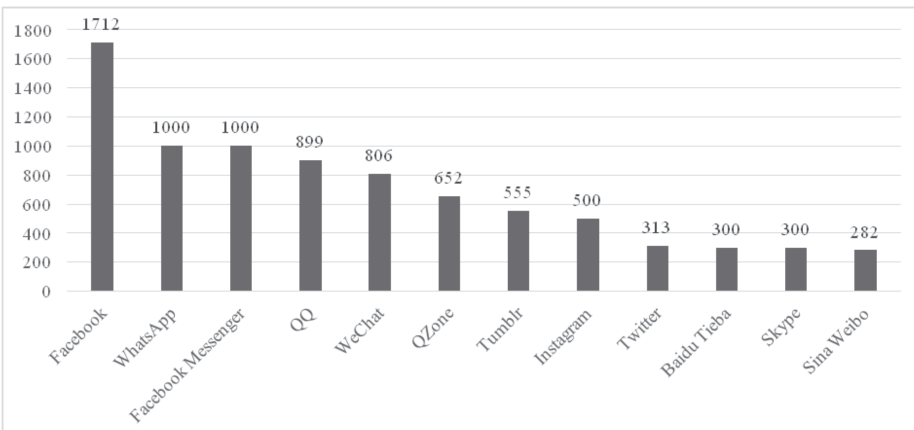


**Chart 3.** Largest social networks and instant messaging applications, by the number of active users in million in 2016
Source: ***Most famous social network sites worldwide as of September 2016, ranked by number of active users (in millions)***, "Statista". Web. 27 October 2016, http://www.statista.com/statistics/272014/global-social-networks-ranked-by-number-of-users/

The corporation that dominates both markets is Facebook company, which is an owner of "Facebook" social service and two instant messaging applications: "Messenger" and "WhatsApp". The second largest company in this branch of Internet business is Tencent, owner of "QQ", "WeChat" and "QZone" platforms. Services provided by both companies were also the 6 biggest in the global market in 2016 (Chart 3). In the top 10 social networks and instant messaging applications list of the year 2016 there were 3 additional American services („Tumblr", „Instagram",

„Twitter"), and one Chinse („Baidu Tieba"). Tencent is undisputed leader of Chinse market, where since 2009 all services of Facebook are blocked (Greengard). The official reason for eliminating Facebook from the Chinese market was the lack of consent of the American company for the censorship of the content published on Facebook user accounts. Facebook was also condemned by PRC official media for facilitating organization of riots by Uighur separatists. However the true and direct cause of blockage of American social service were political and censorship factors, economic reasons probably also played a part in that decision. In 2009 rising number of users of Facebook in the Asia-Pacific region became a serious threat for the thriving business of Tencent. How dangerous the Facebook competition can be for local companies could be observed in the Polish market of social networking sites. The best example is the case study of Nasza Klasa, which used to be the biggest company operating in this branch of Polish Internet. When American competitor entered the market Polish users rapidly abandoned using services of Nasza Klasa and moved to Facebook. In few years it lead to pre-eminence of Facebook in Poland and heavy losses suffered by Nasza Klasa. In few years Facebook dominated several markets, and became to be an undisputed global leader in the market of Internet social services. The major strategic advantage of Facebook is the network effect, or in different words demand-side economies of scale. In the Internet social networking market this effect is crucial for all operations. When many acquaintances, colleagues and friends of a person use certain social networking service, this person needs to use it in order not to be excluded from the community. If Facebook would be allowed to operate freely, American company could acquire large part of Chinese market, or even dominate it. In fact many Chinese people had already started using Facebook before it was banned, because their foreign friends, and families living abroad had used it. The blockage of Facebook protected the strongest local company (Tencent), and enabled it to expand abroad. Chinese market was big enough for the development of the large base of users. When it reached critical mass point people from other countries started to subscribe to the Tencent's services. QQ and WeChat gained popularity in many East Asian countries, creating the only significant global competition for Facebook. The number of Internet users in China is around 649 million (35 Statistical Report on Internet Development in China February 2015), and the number of QQ clients is 250 million bigger than that. If we assume that not every Chinese Internet user is also actively using QQ we can see that Tencent become to be an international service provider. What is more Chinese company uses different, more efficient monetization model than its American competitor and achieves better financial results. In 2014 revenues of Tencent reached 12,7 USD billion, and Facebook generated 12,3 USD billion. In the same year Tencent's profits amounted to 3,8 USD billion, which was significantly more than Facebook's 2,9 USD billion. American company generates its revenues mostly from advertising market, whereas Tencent uses totally different, more innovative strategy. Chinese company uses its social services as distribution platforms for its other products like software, and mobile applications (especially games). Tencent's revenues are more diversified and less dependent on the advertising market (Bieliński 2015). Chinese government protects also the other parts of Tencent's business. All kinds of software and mobile applications that enter Chinese market have to be approved by many institutions and censored. This especially affects the market of games, which is the most profitable (Bieliński 2013).

Another company that benefited from the blockage of American social networking sites in China is Sina, the owner of social media and Sina Weibo portal. Services provided by this corporation are similar to Twitter. As it was blocked in China and competition in the western hemisphere is growing Twitter lost 5 million monthly active users in 2016, and in September had 313 million. In contrast Weibo pulled in 70 million new active users in 2016 and had 282 million of them in September (Chart 3). Growing number of users and revenues attracted investors, and market capitalization of Weibo raised to 11,32 USD billion while Twitter slipped to 11,23 USD billion on October 18, 2016. Thanks to Chinese government help Weibo, which initially was just a copycat version of American service, is wort more than its archetype (Millward).

The third most popular Internet service in the wold after Google and Facebook is YouTube (Table 1). The company is part of Alphabet corporation, but it operates in the branch of video-sharing. As the whole website is completely banned in China, it allowed local copycats to be developed and popularised. Initially there were two major services like YouTube called Youku and Tudou, but they successfully merged forming one corporation. As October 27, 2016 Youku Tudou Inc. market value reached 5,4 USD billion (Youkou Tudou). If there would be no blockage of YouTube in China, the company most probably would not exist.

In terms of revenues, profits and market value the largest Chinese company is Alibaba. It is a global corporation, successfully competing with American giants like Amazon or eBay. The achievements of Alibaba were described in many books and publications, but the influence of government on that success has never become a subject of any research. In the short history of the company that was founded in 1999, there were at least two moments in which companies from the United States could gain a significant advantage over Alibaba. In 2004 eBay planned to conquer the Chinese market of online auctions. Back then Alibaba was just an insignificant company that worked as an intermediary in trade between small and medium-sized Chinese companies, and their counterparts in other countries. However Jack Ma, the founder and CEO of Alibaba perceived eBay's investment in China as a serious threat for his business (Wang). The same year eBay entered PRC market Alibaba offered Chinese users totally free online auction portal called Taobao. The only aim of that venture was to eliminate American company form the market. Taobao portal did not generate any revenues, and was financed by the other operations of Alibaba. Its American competitor could not afford such strategy, and implemented fees for the transactions made on its websites. Despite the open and indisputable dumping pricing policy introduced by Alibaba PRC authorities did not intervene. The strategy, which evidently sought to obtain monopolistic position in the Chinese market received tacit approval authorities of the PRC. Alibaba also held a large advertising campaign of free Taobao auction portal in Chinese television. After two years efforts to gain substantial share of Chinese ecommerce market eBay had to abandon the investment as it was unprofitable.

Another global competitor of Alibaba is Amazon. Also this American company tried to enter thriving Chinese market. In 2004 Amazon bought Joyo.com, which at that time was the largest online bookstore in PRC. American corporation started selling their own products in China (especially ebooks), but they become a victim of massive piracy. Almost every ebook sold by Amazon could be illegally downloaded for free on other Chinse websites (Minter). Chinese authorities did not react to protect intellectual property rights of Amazon. American company soon started losing market share, while Alibaba was gaining it. Revenues of Amazon in China could have been saved by their most profitable products: e-readers and tablets called Kindle, but their debut was postponed by the government. It was not until June 2013 that Kindle devices received all necessary approvals and could be sold in China (Kopp). By that time customers were offered Chinse e-readers and tablets similar to Kindle, but available on the Alibaba's websites in much lower prices. Amazon's share in Chinese ecommerce market steadily dwindled since the acquisition of Joyo.com. In 2015 Amazon had only 1,5% share in of PRC ecommerce market, and Alibaba's share reached 44,13%. The remaining part of the market was divided by a number of smaller Chinese companies (China E-Commerce Q1 2015 Market Stats). Although the revenues and profits of other companies operating in the Chinese ecommerce market continue to grow, in 2015 Amazon suffered annual losses of about 600 USD million from its Chinese operations. For this reason, the American company decided to reduce its operations in China and opened its online store on Tmall portal, owned by Alibaba (Cendrowski). This move was considered by many commentators as a recognition of the superiority of the Chinese competitor.

**Table 3.** Comparison of the most important financial data of the three largest ecommerce companies in the world

| | Gross merchandise volume (USD billion) | Active users (million) | Revenues (USD billion) | Profits (USD billion) |
|---|---|---|---|---|
| Alibaba | 375 | 350 | 11,7 | 5,38 |
| Amazon | 180 | 24 | 89,0 | -0,24 |
| eBay | 82 | 162 | 8,6 | 2,57 |

Source: own elaboration based on: ***eBay Inc. 2015 Annual Report***. San Jose: eBay Inc., 2016.; ***Amazon.com 2014 Annual Report***. Seattle: Amazon.com Inc., 2015.; ***Alibaba 2015 Annual Report***. Shanghai: Alibaba Group Holding Limited, 2016.

Thanks to the governmental support Alibaba gained substantial revenues and profits from the local market that enabled the company to expand abroad. Alibaba.com became the biggest wholesale Internet platform in the world. Its gross merchandise volume is several times bigger than Amazon's or eBay's (Table 3). As the number of active users or profitability is concerned Alibaba is unquestionably a global leader. Chinese corporation continuously expands its operations abroad. The most important international portal of Alibaba is AliExpress, which successfully entered US, Brazilian and Polish market, and gained dominant position in Russia (Report: What's behind the global success). This success would not be possible without the support of Chinese government.

## Conclusion

Case studies of all existing large Chinese Internet companies prove that there is no big company form PRC that would not benefit from governmental support. What is more, in all cases Chinese authorities helped their companies by discriminating practices aimed at their U.S. competitors. The most common excuse used by the PRC authorities is the protection of national security, which allows China not to obey the "national treatment" rule of WTO. However in several cases it became evident, that national security has nothing to do with discrimination of U.S. companies, and all of the reasons are economical. In all analysed cases Chinese companies that benefited from governmental protectionism gained substantial revenues, economies of scale and network effects. This competitive advantages allowed most of them to grow, and expand abroad, and that confirms the hypothesis of the paper. Chinese authorities actively block U.S. companies from the access to their internal market. Government supports local companies, enables them to expand, and later to compete in the global market. There are also other important conclusions from the research. Discriminatory practices not only prevents global Internet companies from entering Chinese market, but also drives away smaller foreign firms and startups from doing it. For all of the major Internet service providers that entered Chinese market (because of network effects and profits gained in other countries), the loss of the part of revenues caused by the blockage of their websites in PRC, would not affect their financial stability. For small and medium enterprises entering new market is connected with major investments and costs (e.g. translations of content). In case of such firm, the loss of revenues attributed to the Chinse market may effect in insolvency. American and European companies know about that threat, and although Chinese market seems very promising, they rarely risk any major investments. It seems that the only way of dealing with the problem of discriminatory practices in the Chinese Internet market is through the WTO dispute settlement system. However even if WTO would manage to protect interests of western companies, the global Internet market has already changed irreversibly. Chinese strategy has proved to be very effective, and led to creation of corporations that successfully compete with global leaders.

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