

**CHINA'S APPLE BASHING:
A PROTECTIONIST RETALIATION
OR CENSORSHIP TACTIC?**

CHEN Gang & YAO Jielu

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Executive Summary

1. After being bombarded by Chinese state media for providing inferior after-sales services in March 2013, Apple, the tech giant, took the unusual step of apologizing to Chinese customers.
2. China may have chosen Apple as a retaliation target after the U.S. House Intelligence Committee reported that Chinese telecom giants Huawei and ZTE could not be trusted to install phone and data networks in the United States.
3. The Chinese government is also likely to have bashed Apple to protect homegrown brands in the Chinese market. China is Apple's second largest market, accounting for 13% of Apple's revenue.
4. The promotion of smartphones of domestic brands is in the interest of the Chinese government as it can more easily censor and control politically and ethically sensitive contents.
5. The vast number of apps on smartphones may challenge its censorship; the propaganda departments are circumscribing the popularization of Apple apps in the guise of protecting against pornography and violence.
6. Media's assault is indicative of Apple's popularity in China. In the first quarter of 2013, Apple experienced a 67% year-over-year revenue growth in China; the possession of Apple products not only represents an individualistic Western lifestyle but also reflects owners' social status.
7. Apple's woe indicates a quickly spreading mood of frustration among foreign tech companies in China. After Google's and HP's spat with local authorities, their market shares plunged while those of formidable homegrown competitors like Baidu.com and Lenovo surged sharply.

8. Indigenous companies have an advantage over foreign tech giants in terms of their acute understanding of local culture, their willingness to adhere to strict censorship and their lax implementation of intellectual property rights.
9. One challenge facing Apple is how to get the Chinese to make purchases from iTunes as many Chinese are habitually reluctant to pay for intellectual properties and use “iOS jail-breaking” tips to get free downloads from iTunes and App Stores.