



CHINA AT YOUR FINGERTIPS

MOBILE INTERNET AND SOCIAL
SHIFTS IN A DEVELOPING POWER

— MA HUATENG —

UNDERSTANDING
CHINA

CHINESE WISDOM AND SOLUTIONS



China International
Publishing Group
中国国际出版集团



FOREIGN LANGUAGES PRESS

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Where have we come from, and where are we going? In this day and age for China, I am always reminding myself to maintain this sense of history.

– Xi Jinping

From Xi's speech when meeting with foreign attendees of the Second Understanding China Conference in Beijing, *People's Daily*, January 5, 2016

UNDERSTANDING CHINA

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PREFACE TO THE “UNDERSTANDING CHINA” SERIES

Zheng Bijian

This series of books covers the topic: Understanding China.

But why is “Understanding China” an important question?

At present, the world around us is going through unprecedented changes and nowhere more so is that the case than in China.

Since the founding of the People’s Republic of China in the mid-20th century, and particularly over the past 40 years, a poor and backward country in East Asia with a population of over 1.3 billion has achieved incredible growth to become the world’s second largest economy.

It is therefore natural that people should ask: What exactly is going on in China, and what is the secret behind such rapid development?

It is also entirely natural for people to wonder: How can a rising China get along with the rest of the world?

As a result, misgivings about the country abound. All kinds of theories such as the “China threat”, the “Collapsing of China”, the “Thucydides’s Trap” and the “middle income trap” have been directed toward China.

There is no doubt that China should unflinchingly follow its own path and deal with its own matters well. That in itself means that in order to respond to people’s concerns, questions and misgivings, one thing must be done – Understand China.

It was precisely for this reason that the China Institute for Innovation & Development Strategy (CIIDS), which I co-founded, joined together with the Chinese People's Institute of Foreign Affairs (CPIFA) and the world-renowned 21st Century Council think tank to hold two Understanding China conferences in 2013 and 2015.

These two important international meetings received the close attention and support of the General Secretary of the CPC and President of China, Xi Jinping, who personally attended and held informal discussions with distinguished overseas participants; and Premier of the State Council Li Keqiang and Vice Premier Zhang Gaoli, who gave the opening speeches at the first and second conferences respectively. Top leaders of departments in the Central Committee of the CPC and State Council also participated alongside senior political figures, experts and scholars from all over the world to undertake face-to-face meetings and answer questions.

The main lesson from the conferences was that confronting questions head-on, being sincere, seeking the truth from facts, and telling the stories of China, the CPC and China's relations with the world, in lively and detailed ways, greatly helps those who care about China to gain new knowledge, and gradually allays the misgivings of those who are uncertain about China.

To achieve this goal we are moving the "Understanding China" international conference to books, videos and online, in order to respond to people's concerns, questions and misgivings on a bigger scale and in more lively forms.

This series has not only received the enthusiastic support of relevant government departments, China International Publishing Group and the Foreign Languages Press, but also the full backing of experienced practitioners, experts and scholars, as well as government leaders.

This is the first set of books in the series. Whilst these are concerned

mainly with the works of Chinese writers, future books will also feature writers from other countries.

This is also not simply a collection of books – it will be accompanied by television specials and online videos for people to enjoy.

In our opinion, “Understanding China”, including “Understanding the CPC” and “Understanding China’s Relations with the World” are all grand undertakings.

Let us passionately follow and participate in these undertakings together.

March 2018

Foreword: Creating a Future Together with the Rest of the World

Thirty years ago, an email from Beijing reached the University of Karlsruhe in Germany via Italy. It only contained the short message:

Across the Great Wall we can reach every corner in the world.

This became China's first message to the world sent by TCP/IP protocols (Transmission Control Protocol and Internet Protocol are communication protocols used to connect devices on the Internet).

Today, the digital economy, which has developed based on the Internet, has been included in the annual "Report on the Work of the Government" and is seen as a new driving force for growth in the Chinese economy. Based on estimates from the Tencent Research Institute, China's total digital economy has exceeded 22.77 trillion yuan, accounts for 30.6% of China's GDP, and has created 2.8 million new jobs.

These statistics show that the Internet has penetrated all aspects of society and the lives of the Chinese people.

The media was first to come under the influence of the Internet. The mobile Internet has enabled online access anytime and anywhere, which serves readers and viewers well as information becomes increasingly fragmented and reading becomes faster-paced than ever. Written articles and audio-video clips have shifted from newspapers and television

to websites, apps, and social media platforms. In 2016, the total number of online news, music, and video users were 614 million, 503 million, and 545 million respectively. Internet companies began to move upstream to produce their own content, promoting the establishment of user-pay models, fighting piracy, and prompting China's content industry to focus more on genuine and licensed content. The size of the genuine and licensed video industry grew from 3.14 billion yuan in 2010 to 40.1 billion yuan in 2015. As such, a pan-entertainment industry that integrates the production, distribution, and capitalization of literature, audio-video materials, and games has formed, with extended reach throughout China's urban, rural, and various geographical areas.

The Internet has changed the ways that Chinese consumers use financial services. Starting with online payment, the Yu'e Bao service, which came out in 2013, won over the market with small-balance financial management services that charged no service fees and allowed withdrawals at any time. During the Chinese New Year in 2014, WeChat launched "Red Packets" (small red envelopes traditionally used for giving money) for small-balance online payment, which rapidly became a New Year tradition. At the end of the same year, WeBank opened, which was China's first Internet bank without a physical place of business. In 2015, Premier Li Keqiang witnessed WeBank issue its first small loan. WeBank's blockbuster product, the "Particle Loan," focused on demand for small-balance and ultra-short-term financing. As of November 2016, more than 20 million loans had been issued with a total value of more than 160 billion yuan; the highest number of loans issued in a single day was more than 100,000, with a total value of more than 1 billion yuan. This new service meets the demand for loans that are too small to be economical in the past, empowering China's finance sector to serve everyone.

The Internet has also changed how Chinese people travel. Didi Chuxing, a ride-sharing platform, linked idle vehicles up with unmet

consumer demand and greatly increased the efficiency of ride-sharing by effectively matching the data. In 2015, Didi Chuxing's orders totaled 1.43 billion, surpassing Uber to become the world's largest mobile car transportation platform. In 2016, original bike-sharing models like Mobike and Ofo emerged in China to advocate low-carbon and environmentally-friendly transportation for short trips. They conveniently meet the need for last-mile city transportation, thereby quickly winning the market.

The Internet has become a convenient channel by which hundreds of millions of Chinese people access public services. From the central ministries to local governments, public service agencies across China have provided more than 9,000 services to a total of 417 million citizens through WeChat over the past two years, including social security inquiries, traffic fine payments, and hospital appointments. The Xi'an Traffic Police provides 36 services through WeChat with a total 1.4 million followers and handles more than 20,000 items of business every day. In the city of Changsha, the public service platform "Changsha12333" has issued social security cards through WeChat Cards, which upon activation can be used to check balances, pay, apply for unemployment subsidies, and settle hospital bills. These cards have been used 16.21 million times for online services, and city residents' satisfaction has increased more than 10 percentage points. Additionally, the residents of most Chinese cities can participate in the danger reporting and early warning for extreme weather such as typhoons and torrential rains. Getting information from the people for the people's use has formed a virtuous cycle.

The inherent goodness and wonderful qualities of the Chinese people have also been quite naturally revealed on social media networks. In 2007, the Tencent Charity platform was established, which brought together people who need help and people who are willing to help through an online platform in a more transparent and convenient way. In 2014, the year when the platform completed its expansion to mobile devices, it

collected 100 million yuan of donations. In 2015, the “99 Charity Day” event took in donations of 128 million yuan over three days; and in 2016, the same event received 6.77 million donations totaling more than 300 million yuan. In the era of the mobile Internet, charity has transitioned from relying on large institutional donations to thriving on many small individual donations.

Technologies that originated from the Internet like cloud computing, big data, and artificial intelligence are becoming a new force for productivity. The RootCloud project made through cooperation between Tencent and Sany Heavy Industry has linked 300,000 devices spread around the world into a cloud platform, which collects nearly 10,000 operating parameters in real time and enables long-range monitoring and management of device groups. With the support of this platform, project participants are able to get repair personnel on-site within 2 hours and complete repairs within 24 hours while also greatly reducing pressure to keep as many spare parts in inventory. This process allows manufacturers to extend their value chains and become providers for company services. Just as power usage is an important indicator of economic activity now, cloud usage is likely to become an important indicator to measure the digital economy in the future.

The Internet is a starting point and a key to understanding China. To understand the digital economy, we look at how Chinese businesspeople, entrepreneurs, and researchers are working hard to innovate and how original technologies, and how business models like WeChat Red Packets, mini programs (apps within the WeChat app), and shared bicycles have changed “made in China” into “created in China.” To understand digital culture, we look at how China’s traditional art is combining with technology to rejuvenate an ancient civilization. The millennial generation are

native to the Internet. To understand them and to understand China's future, we should start with the Internet.

I hope we can start from understanding each other and then create a new future with the rest of the world.

CONTENTS

Foreword: Creating a Future Together with the Rest of the World

Part I A New Era

Chapter 1 The Power of an Era: How the Mobile Internet Created a Chinese Paradigm / 3

I. “Established by the Age of 30” / 5

II. Western Ways Gradually Influencing the East / 8

III. Blended Innovation / 9

IV. A Day with China’s Internet / 11

V. Focus Shifting Eastward / 13

VI. What’s Past Is Prologue / 15

Part II Smart Living

Chapter 2 A New Consumption Logic Among the Public: a Smarter Way of Living / 23

- I. More than Half of Chinese Use Mobile Connections in Their Smart Living / 27**
- II. Internet Shopping Shapes National Consumption Trends / 32**
- III. Local Life O2O: Online and Offline Integrated in the New Era / 41**
- IV. Golden Development of the Sharing Economy / 44**
- V. Embracing a Future of Smarter Online Living / 62**

Chapter 3 The Rise of Creators: Linking the Humanities with Sharing Technology / 67

- I. A New Social Life Nurtured by Mobile Connectivity / 71**
- II. The Internet Activates the Public's Creative Power / 80**
- III. Online Entertainment: Maximizing the Value of Individual Entertainment / 88**
- IV. Internet Cultural Enterprises Explore Internationalization / 108**

Chapter 4 Innovation and Evolution: a New Path to Digital Inclusive Finance / 125

- I. Innovation Paves the Way for Mobile Payments / 129**
- II. The Secret of "One Cent" Mobile Wealth Management / 149**
- III. Inclusive Finance Extends to Every Corner of China / 159**
- IV. New Milestones in Technological Innovation / 173**