

'Green Dam' Delay Gives China Market PC Vendors a Respite

Simon Ye

PC vendors serving the China market should hold off making any sizeable investment in the now-controversial Green Dam software until the situation that led to the government delaying the installation mandate clears up.

NEWS ANALYSIS

Event

On 30 June 2009, the deadline from China's Ministry of Industry and Information Technology (MIIT) requiring preinstallation of "Green Dam-Youth Escort" Internet filtering software on all new PCs sold in China was postponed. Gartner believes the Green Dam software requirement will be postponed indefinitely.

Analysis

The Green Dam software is intended to protect children from pornographic and inappropriate content on the Internet. The software was developed by two Chinese local companies — Jinhui Computer System Engineering and Dazheng Human Language Technology. MIIT was set to require that all new PCs sold in China be equipped with the software beginning 1 July 2009, either on the hard disk or via an attached CD.

Ever since the mandatory requirement was first exposed by media in early June, Green Dam has been the center of intense scrutiny, generating heated discussions on a range of topics including copyrights, human rights, the Sino-U.S. trade relationship, Internet monitoring and the manner in which Green Dam won the bidding process. After several weeks of controversy, MIIT announced a postponement citing to "lack of preparation time" from some PC vendors. Gartner research indicates that the major China local, Taiwanese and Japanese PC vendors were ready to comply with the new regulations; however, HP, Dell and Apple were still reviewing the requirement.

Everything is expected to go on as usual in the China PC market in July. While officially, the MIIT has only delayed the deadline, Gartner believes the delay will be indefinite, as it was with a similar event around the WLAN Authentication and Privacy Infrastructure (WAPI) software requirement in 2004. MIIT will continue to promote (but not require) Internet filtering software on PCs used in education and Internet cafes, but will not specifically promote the Green Dam software due to copyright issues, concerns about security holes and how Green Dam won the bidding process. Consequently, we believe it is unnecessary for PC vendors to spend much time or resources on testing or deploying Green Dam software at this time.

RECOMMENDATIONS

- **PC vendors that have not declared where they stand on Green Dam:** Keep at a minimum any investment on emergency plans, such as preparing a tested CD in the lab.
- **PC vendors claiming to have complied with the new regulation:** Provide the software on a CD in the packing box rather than as pre-installed software on the hard disk.
- **PC vendors with pre-installed Green Dam on hard disk:** Provide clear instructions on how to deactivate and uninstall the software along with the installation guidance.
- **Chinese government:** Be more transparent on the bidding process of Internet filtering software, leaving enough time for public trial.

RECOMMENDED READING

- "Dataquest Insight: PC Market Trends in China Call for Hybrid Channel Approaches" — Trends in China are changing the way PC vendors need to do business, and vendors are adopting a long-term approach to sell into smaller cities and towns. **By Simon Ye and Eileen He**
- "Market Trends: Are You Ready to Sell PCs in China's Small Cities?" — PC vendors should explore opportunities in China's small cities, but they should prepare for unique challenges in these cities and rural areas. **By Simon Ye**

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