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Discussion Case: *China's Social Credit System*

China's Social Credit System, formally unveiled in 2014, was quickly compared to "Big Brother" watching unsuspecting citizens. In reality, it represented the Chinese government's effort to provide a holistic assessment of an individual or a company's trustworthiness, based on a numerical score. Critics argued that it was a manifestation of social rankings, long established in Chinese culture, based on the government's political and social values.

The social credit system worried many Chinese citizens, since a poor social credit score could be serious. It could affect travel opportunities, employment, access to finance, and the ability to enter into contracts. And non-Chinese people seeking to establish a business presence in China might need to seek professional advice on how to best manage their own social credit scores.

The social credit system is comprised of a set of databases of up-to-date information on the behavior of individuals, corporations, and governmental entities throughout China. It is similar to credit ratings used worldwide to assess individual or corporation's financial worthiness but captures information on a wider variety of behaviors. Many individuals are familiar with credit reports generated by companies like Experian when they need to borrow to purchase a new home or start a new business. Social-style scoring is widely used on online platforms, for example when buyers and sellers on eBay or passengers and drivers using Uber rate each other. People know that if their Uber score falls too low, they can be banned from this transportation service. Like access to credit ratings in the United States, Chinese citizens can check their social credit scores, yet they have no recourse to correct errors or make direct changes to their scores, as these actions are controlled by the government.

China's social credit system expands the idea of assessing behavior into all aspects of life, judging these behaviors according to a set of social values and determining the level of one's trustworthiness. If an individual is caught jaywalking, or does not pay their court fine, or plays their music too loud causing neighbors or those sitting nearby on a train to complain—a citizen's score might be lowered, and he or she could lose certain rights or freedoms. The government's ultimate goal is to create a "unified social credit code" and provide each Chinese citizen with an identity number, all linked to a permanent record stored by the government.

Compounding confusion over the new national system, various provinces or cities have their own systems. One city, Rongcheng, gives all residents 1,000 points to start. Authorities

then deduct points for bad behavior like traffic violations, and add points for good behaviors, such as donating to charity. Technology plays a huge role in this system since China relies on facial recognition, for example, to spot jaywalkers on city streets.

The consequences of being "blacklisted" on the national government's social credit system can be serious. Liu Hu, a Chinese journalist, wrote about censorship and government corruption and was subsequently arrested, fined, and blacklisted. Liu discovered his name was on a List of Dishonest Persons Subject to Enforcement by the Supreme People's Court as not qualified to buy a plane ticket, banned from traveling on some train lines, buying property, or taking out a loan. "There was no file, no police warrant, no official advanced notification. They just cut me off from the things I was once entitled to," explained Liu. "What's really scary is there's nothing you can do about it. You can report to no one."

"There are no genuine protections for the people and entities subject to the system," said Samantha Hoffman, a fellow at the Australian Strategic Policy Institute. "In China there is no such thing as the rule of law. Regulations that can be largely apolitical on the surface can be political when the Communist Party of China decides to use them for political purposes." In 2018, the Civil Aviation Administration of China sent letters to international airlines demanding they show Taiwan as part of China and promised to "make a record of your company's serious dishonesty and take disciplinary actions" if they did not comply; they all did.

Why is China implementing this program? It is all about trust, says the Chinese government. The 2014 document describing the government's plans for the social credit system notes that as "trust-keeping is insufficiently rewarded, the cost of breaking trust tends to be low." In addition to establishing greater trust between individuals and organizations, it would help build a stronger system of financial credit ensuring that those with social credit receive requested loans and other financial perks. But most critics argue it is about government power. "If solving problems was the real goal, the [government] would not need social credit to do it. China's social credit system is a state-driven program designed to do one thing, to uphold and expand the Chinese Communist Party's power," said Hoffman.

Sources: "The Complicated Trust about China's Social Credit System," *WIRED*, June 7, 2019, www.wired.co.uk; and "An Introduction to the China Social Credit System," *New Horizons*, March 18, 2021, nhglobalpartners.com.

1. What are the potential advantages and disadvantages for individuals and society of China's social credit system?
2. Do the potential advantages, identified in response to Question 1, outweigh the potential disadvantages?
3. The chapter discusses various ethical challenges involving technology. What ethical challenges are present in the Chinese social credit system? What changes might the Chinese government make to address these ethical challenges?
4. Could China's social credit system be adopted in other countries? What would be the obstacles in other countries that do not exist in China?