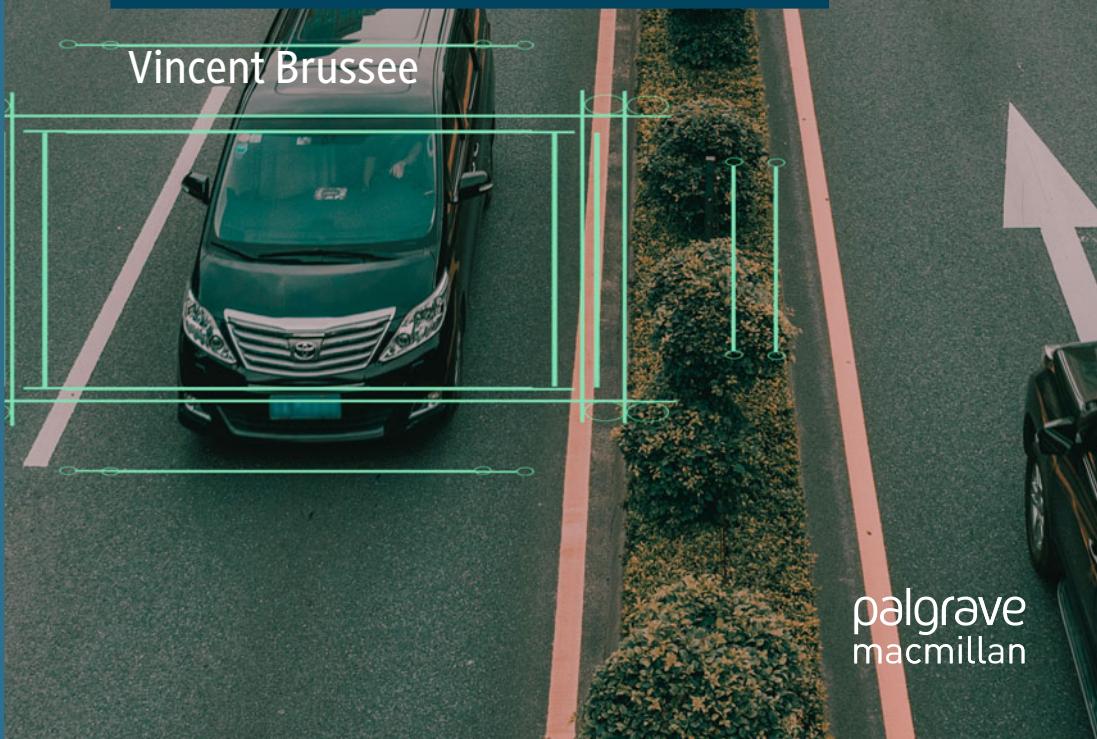


Social Credit

The Warring States of China's Emerging Data Empire

Vincent Brussee



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To dad; your absence is everywhere but your love is everlasting

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ABBREVIATIONS

AI	Artificial Intelligence
CAC	Cyberspace Administration of China
CCP	Chinese Communist Party
CPPCC	Chinese People's Political Consultative Conference
LSG	Leading Small Group
MOFCOM	Ministry of Commerce
NDRC	National Development and Reform Commission
NECIPS	National Enterprise Credit Information Publicity System
NPC	National People's Congress
NPCIC	National Public Credit Information Centre
NPCSC	National People's Congress Standing Committee
PBOC	People's Bank of China
SAMR	State Administration for Market Regulation
SCS	Social Credit System
SPC	Supreme People's Court

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CHAPTER 1

Introduction

WRAPPED TABLEWARE, TRAIN ANNOUNCEMENTS, AND SHARED BIKES

On a warm autumn evening in Beijing in 2017, I sat down with local friends from Peking University at a local restaurant in Haidian, the city's university district. As we sat down, we ordered *kaoyu*—an extravagant fish dish grilled in a spicy Sichuan sauce beloved by many in China. We received our tableware—tightly wrapped in plastic that we spent three minutes unpacking, supposedly for hygienic reasons—and chit-chatted into the evening. As we dined, an odd topic suddenly arose: the Social Credit System (SCS).

I had known of the system for a while already. In December 2015, my first introduction to it came in the form of a video by Extra Credits—a YouTube channel with nearly three million subscribers. The video was titled “Propaganda Games”. In it, the makers frankly introduced what they felt was “clearly something out of dystopian science fiction”. It suggested that China’s government would give everyone a score that dictated their lives. You would lose points if you shared a photo of the Tiananmen Square protests. If you shared a link by the government about how good the economy was doing, you would supposedly gain points. It was gamified obedience to the state.

The makers could not believe it. They felt they must be missing something.

As will become apparent throughout this book, the makers *were* missing something. But not knowing anything more, it was this story that I told my friends. I “explained” that the system was supposedly being trialled at that time and would become mandatory in 2020. By that year, they, too, would receive a score that would dictate their place in society. If their scores were insufficient, their internet would be throttled or shut down, they would not be able to buy a house, and they would not be allowed to travel. To my shock, they knew nothing about it. One had heard of it vaguely via a foreign news outlet—of course, accessed through a virtual private network—but knew little else.

Naively, I wrote this off in my mind as the effects of China’s infamous Great Firewall. In reality, I was the one that was all wrong. Ironically, the system had been right in front of me the entire evening. It was in the mobile payment app my friend used to pay the bill, in the large billboard at the entrance showing that the restaurant was classified “B” for food safety (hygiene), and even in the wastefully wrapped cups and plates. In one way or another, these were all related to the SCS as it manifests itself today.

This dinner would not be my last encounter with the system. A few months later, I took a high-speed train from Shanghai to Hangzhou, megacities with a population of a medium-sized country each. The train was crowded; people were chatting or eating fragrant cup noodles they had bought from one of many passing shopping trolleys. But in this noise, an ominous announcement made itself heard. *Passengers must take their assigned seats, must not damage the train’s equipment, and must not interfere with the operation of the train.* Violations, it warned everyone, would be stored in passengers’ “credit records”.

After arrival, I quickly made my way to the city centre. There, I found one of the city’s omnipresent blue-white bikes, scanned a QR code, and rode my way through the city. The ride only cost me a few *kuai*, and I did not have to pay a deposit either. As long as I always paid my bills and placed the bikes back in their proper place, that is. And since I always did so, I could borrow a power bank at one of Hangzhou’s hundreds of borrowing stations when my phone was about to run out. In the background, my “credit” enabled all of this.

The seemingly innocuous dinner with friends, this train journey through China, and my frequent use of shared bikes and power banks all led to this book. As I write this, almost everyone has heard of the system in one way or another, be it from Extra Credit’s video or the hundreds

of headlines written on the system. Popular coverage has repeatedly compared it with the infamous *Nosedive* episode of the techno-dystopian TV series *Black Mirror*. In this episode, citizens rate every interaction with each other to determine their place in society. If their score is not good enough, citizens cannot rent apartments or even get cancer treatment. George Orwell's famous novel *1984* became another popular point of comparison, where Big Brother watches over citizens' every move and thought.

In recent years, comparisons have moved from novels and Netflix series to real-life developments. In the Dutch parliament, a right-extremist party tabled a motion requesting the government to “never implement the SCS here” and inappropriately referred to it as the next form of slavery. In many countries like the United States and the United Kingdom, right-wing media outlets and politicians are claiming that the SCS has already arrived in their country—namely in the form of vaccine passports.¹ The European Union and UNESCO have tabled proposals to outlaw using artificial intelligence (AI) for social scoring.²

And then, all of a sudden, China backed the UNESCO proposal. Did it just agree to ban its own system?

Spoiler alert: it did not. In reality, China’s SCS may be one of the most widely misunderstood phenomena of the twenty-first century. Unlike what the examples above may suggest, it is *not* a mass rating system. Such notions conflate some quirky experiments in China—most of which have already been shut down—with the SCS. The SCS also is not concerned with how many games you play, does not evaluate everything you write online, and cares even less whether you “like” or share a message praising Xi Jinping online. The idea that a digital and real-time morality score controls Chinese citizens’ every step is quickly dispelled by talking to anyone in China.³ When Chinese internet users got wind of the SCS-mythos in Europe, it became a laughing stock. None of this means that surveillance in China is a myth—quite the contrary. Yet, this surveillance remains very different from indiscriminate and AI-driven mass scoring.

The real SCS may actually be quite boring. It is a broad policy umbrella—not an integrated system—to help enforce legally effective obligations such as laws, regulations, and contracts in China’s market economy. It does so by creating an information-sharing system for administrative and legal information and a complex but fragmented system of blacklists. The idea is to allow government agencies to effectively share data on administrative permits and legal transgressions with the greater

public. For instance, the SCS enables food safety regulators in Beijing to access information produced by their Shanghai counterparts. If they find a company has violated hygiene regulations in Shanghai, they may want to inspect this company's application for a new permit in Beijing more carefully. Or a company looking for a new supplier may be able to look up information on their potential business partners to see if they have a history of not delivering on their contracts. If transgressions are severe, blacklists can restrict the individual or company from doing further business in the sector altogether.

Perhaps boring in comparison with the myths, the SCS is deeply fascinating in its own way. Its story is full of quirks, revealing remarkable details of how China's government struggles with itself, thinks about technology, and confronts highly controversial topics like surveillance. The system is profoundly messy—a fact even headlined by China's state media Xinhua⁴—features a history of over twenty years of back-and-forth tussle between different government agencies over direction, and has repeatedly sparked a significant public backlash. It isn't particularly “social”, nor really about “credit”, and it certainly is not a “system”. Remarkably, even the government appears uncertain about what to really do with it. Hence the subtitle of this book, *The Warring States of China's Emerging Data Empire*. The ambitions and narratives are high-tech, while the reality is full of conflicts and contradictions.

That the SCS is very different from commonly imagined does not mean it is benign. The *Warring States* signify chaos, which affects the people governed by it. In China, the law is not always just. The SCS is used to enforce the law in China, which can also mean laws that harm human rights or codify discriminatory treatment against foreign companies. Sometimes, the SCS can also clash with China's law. And indeed, there are myriad examples of violations of citizens' constitutional rights linked to the SCS. If we want to address human rights in China, we first need to articulate where the problem lies: is it with the technology, with the political system, or with the law?

As historian Melvin Kranzberg's first famous law of technology goes: “Technology is neither good nor bad, nor is it neutral”.⁵ A knife can be used to cut a cake (good), but can also be used more violently (bad). That is to say, the same technology can yield different results in different contexts. Technology can also have inherent moral value: How the knife is designed can make it more suitable for one purpose than the other (not neutral). And as Kranzberg's sixth law continues: “technology is a

very human activity”. We cannot understand technology in isolation from institutional and political contexts.⁶ It is produced and maintained by and for people or organisations with specific interests, which shapes the impact of a particular technology.

Moreover, the Social Credit System is unique but not new. As a system built to facilitate the use of information like credit reports, information on court rulings, and contractual fulfilment in the market economy, it builds upon established practices of surveillance capitalism worldwide. At the same time, it combines these very familiar mechanisms with political traditions from China’s unique political system. It does not introduce wholly novel surveillance mechanisms, yet its scope and breadth make it a one-of-a-kind globally.

Understanding the SCS’ global and historical roots better contextualises developments in China. Credit systems and blacklists have existed in Europe and the United States for decades. As a result, their many problems have already been well-documented. They are prone to abuse, can exacerbate inequality, and tend to be very opaque. Inversely, China’s experience with the SCS also presents essential lessons for “Western” countries. In particular, it reminds us that it is crucial to establish solid accountability mechanisms and legal and societal oversight that apply irrespective of the technical nature. These themes will return throughout the book.

GETTING SOCIAL CREDIT RIGHT IS KEY TO UNDERSTANDING TWENTY-FIRST-CENTURY SURVEILLANCE

The SCS has enjoyed support from China’s successive leaders since the early 2000s, including Xi Jinping. Although not based on mass scoring, its “blacklists” and “redlists” still simultaneously affect between ten and twenty million people. Some may face severe consequences, while others pride themselves on their SCS-related awards. For some, the SCS may have had a real positive impact by addressing long-standing issues in China such as poor food and drug safety, while for others the SCS may have become just another tool in the coercive toolbox of China’s state.

Outside the context of the SCS, surveillance systems in China grow rampantly. Online censorship is a daily business and surveillance cameras are ubiquitous in major Chinese cities, all the while limited data and

privacy protection measures pose direct risks to citizens.⁷ Public security agencies are investing heavily in predictive capabilities and cellular location tracking systems while online control is becoming more sophisticated by harnessing the power of personalisation algorithms.⁸ Remarkably, many such initiatives face challenges akin to those of the SCS, though the SCS still stands apart due to its inherent complexity. And despite the massive rollout of technology, the real strength of surveillance in China lies in the immense human resources authorities can deploy to (literally) knock on doors and collect the personal insights no digital system ever could.

Portraying China as governed by 1.4 billion scores processed in a large server farm outside Beijing helps little to understand and address actual surveillance practices in China. Especially in 2014–2017, some observers were more interested in reproducing the myths about the SCS than the very real crackdown starting in Xinjiang then. It may be one of the reasons many media picked up on atrocities in Xinjiang relatively late.⁹ In our media landscape, attention to China-related news is limited. If one topic is hot, another inevitably receives less attention.

In Europe and Northern America, concerns about digital surveillance are growing too. Credit ratings, big-data-enabled blacklists, and automated decision-making are changing lives globally. But as some bring digital convenience, security, or increase efficiency, they typically reproduce the biases of the data fed to them and have come to exacerbate socio-economic inequality and marginalise minority groups.¹⁰ For groups concerned by these developments, the SCS represents everything they fear, put on steroids. As genuine as these fears may be, comparisons with the SCS as dystopian superscoring are a bogeyman. It means we distract ourselves with something fictional, unintentionally diverting attention from real concerns surrounding surveillance and digitisation at home.

If we care about surveillance anywhere in the world, we need to get the SCS right. It will continue to be an important feature of governance in China. Whether its reality in China also continues to make headlines abroad or not, its image will continue to shape debates about tech and surveillance worldwide.

MAKING SENSE OF SOCIAL CREDIT

This book is concerned with three ostensibly simple questions: what is the SCS, why is it that way, and what are the key issues to watch for observers

and stakeholders going forward? Although the questions seem straightforward, their answers are far from. This challenge is reflected in the many myths surrounding the system, but also in the confusion about the system in China itself. It warrants a fact-driven account of the system, one that can function as the fundament for deeper inquiry in the years to come. Driven by this simultaneously simple yet ambitious aim, this book pieces together hundreds of individual puzzle pieces and reconstructs the jigsaw-puzzle of the SCS. Throughout, it draws from unique sources of information from Chinese policy and other government documents, an extensive collection of qualitative and quantitative on-the-ground data on the system's implementation, and dozens of Chinese scholarly articles and analyses.¹¹

To analyse Chinese policy documents, it builds upon a database of over 23,000 social credit-related policies, of which 1445 focus exclusively on the system's construction and the remainder refer to it in the context of other policies or broader strategic agendas.¹² It includes policies at all levels of China's bureaucracy, from the top-level government and party organs to small counties across China. They describe policy priorities and detailed measures for the system's day-to-day operation. Taken together, the breadth and depth of these documents allow for a more concrete mapping of the SCS' policy area than ever possible.

Second, this book uses on-the-ground data from the sixty-two *Demonstration Cities for the Establishment of the SCS* (社会信用体系建设示范城市), consisting of media reports, public data, and even technical specifications released by the cities. Taken together, the cities are a blueprint for nationwide implementation. They show the various avenues authorities have taken to deploy the system in different contexts and its various successes and pain points. This data includes records on the number of citizens on blacklists, the number of collected data, how scoring systems work, and more. They provide a solid basis to assess the actual state of implementation in cities in China.

The third and final principal source of data is Chinese-language scholarship. PRC scholars have pioneered analyses of the system, and a comprehensive collection of scholarly work is available that sheds close light on the various successes and challenges that the SCS has had across China.¹³ Their work has had a significant influence on the system. Many experts cited throughout the book occupy important positions in government-affiliated bodies or are consulted directly on the system's development. Some, such as the sociologist Lin Junyue (林钧跃), even

count as the system's intellectual founders and have been involved in drafting multiple SCS regulations and standards. While few openly question the legitimacy of the system, criticisms are myriad. In several cases, their criticisms have even been re-issued by official media outlets such as Xinhua or People's Daily. Thus, scholars' assessments and the data they present are precious to analysts globally.

Although all three types of sources inherently come from within China proper and are therefore subject to the government's influence, they allow careful analysts to reconstruct a highly accurate picture of the SCS in China today. Even on the most politically-sensitive topics, such as the ongoing crackdown against the Uyghur ethnic group in Xinjiang, a significant portion of the evidence of potential human rights violations comes from official policy and other government records. Some were leaked, but others had been out in the open for years.¹⁴ Regrettably, systematic studies of PRC policy remain rare, perhaps because Mandarin and especially the dense policy language used serve as a layer of encryption, perhaps because it is difficult to see the forest for the trees with the thousands upon thousands of documents released to date.

Policy documents are not mere propaganda. No one in their right mind is interested in reading the *Notice by the Shanghai Office for the Establishment of the Social Credit System on Issuing the Implementation Plan for Further Improving the Credit Repair Mechanism to Help the Steady Development of Market Entities During the Epidemic Prevention and Control Period*—an actual document¹⁵—unless they have a legitimate interest in what the document has to say. To govern 1.4 billion people, develop an increasingly complex economy, and keep tens of millions of government employees in line, China's government must communicate clearly to get anything done. Local government cadres need to know what to do, and businesses must understand what regulations they must comply with. Policy documents are dense and formulaic, and their intents and purposes are not always easy to understand even when read in translation. Still, a trained reader can extract the correct information from them.

OUTLINE OF THE BOOK

This book maps the processes that have led to the SCS as we see it today, from the people who shaped its emergence to the local governments that have tried to adapt it to their interests, the millions of people subject to it, and its future. In the process, it analyses the structural drivers behind the

system's complex and fragmented *mess*, what happens when buzzwordy tech initiatives in China meet reality, how politics, law, and human rights interact in China, and much more.

After this introductory chapter, Chapter 2 analyses the SCS and its global roots. It chronicles the stories of the system's founding figures: an entrepreneur called Huang Wenyun, the scholar Lin Junyue, and former Premier Zhu Rongji. They signalled problems like a chaotic economic environment, where debt defaults, fake merchandise, and regulatory noncompliance threatened socio-economic stability. They never really figured out how these precisely related to one another, but one concept nevertheless inspired them: "credit". They borrowed experiences from the United States, where credit reporting firms and blacklists had operated for over a century. The SCS has taken these mechanisms but expanded their scope to encompass nearly everything: businesses, individuals, non-profits, the judiciary, and even the government itself.

Outside China, credit mechanisms exacerbate socio-economic inequality and perpetuate discriminatory treatment. Moreover, an emerging trend facing societies worldwide is the increasing use of quantitative, sometimes automated mechanisms that put citizens on far-reaching blacklists without notification, fair hearing, or trial. Given China's severely curtailed checks on government power, the SCS may amplify these issues.

Chapter 3 continues by discussing how the SCS relates to the ideology of China's ruling communist party. Underpinned by the idea that all problems have a true solution and that data is the way to find this, data is becoming increasingly important to China's government. The chapter then introduces the policy umbrella of the SCS along three dimensions: the three main issues it aims to resolve, the four core areas in which reforms should take place to do so, and the governmental and market actors that are empowered to do so. Each intersection of the three dimensions comes with a separate policy initiative, creating a complex matrix of fragmented initiatives. The chapter shows that this is not because it is so brilliantly thought-out, but instead because it confuses everyone—even China's government.

Chapter 4 takes readers through the policy history of SCS over the past two decades. It picks up the story where Chapter 2 finished, starting with the formal announcement of the establishment of the SCS at the Chinese Communist Party's (CCP) Party Congress in 2002. Its development has followed a typical policymaking process in China: the central leadership

develops abstract goals and requirements, after which development starts in a few pilot zones with the flexibility to test ideas in practice.

The first phase spans the system's inception to the first significant policy milestone, from 2002 to 2014. Although development started enthusiastically, initial goals were never fully achieved. A bifurcation between narrowly defined initiatives in the field of credit reporting and more vaguely-defined regulatory aims emerged. Especially for the latter, development was lacklustre and limited by institutional bottlenecks. The SCS was supposed to be a cross-regional, cross-departmental initiative, so it depended on central coordination that the authorities failed to provide. The inherently vague nature of SCS concepts like "social credit" and "untrustworthiness" (失信) exacerbated these challenges.

Nonetheless, the contours of the system gradually became clear. It would focus on a series of broadly defined and interconnected challenges, especially financial credit provision, legal compliance, and market regulation. Its flexible nature also meant authorities could quickly adapt it to new challenges. This became apparent when food and drug safety became a huge source of public discontent in the mid-2000s and leaders turned to the SCS to address these issues.

In 2014, the start of the second phase, a keystone policy directive kicked development into fifth gear. China's political leadership suddenly gave it the political capital it needed, and cities started developing their own initiatives country-wide. But this gave rise to new problems: fragmentation and lacking digitisation. Regulations differed from region to region and information systems were not linked to allow adequate data sharing. Evaluation systems became so different that what was theoretically OK in one city, could lead to severe penalties in another. Ultimately, the SCS became not a symbol of the unlimited potential of technology, but of how technology is deeply constrained and shaped by the institutions, politics, and humans that govern it. This issue threatened the core ambitions associated with the SCS from the start: to become an effective cross-regional and cross-sectoral enforcement mechanism built upon a uniform data-sharing system.

Whereas Chapter 4 presents a largely top-level policy perspective, Chapter 5 zooms in on the day-to-day implementation of different blacklists of the SCS. It provides a differentiated account of the complex web of blacklists: the Supreme People's Court (SPC) "judgement defaulter blacklist", the fifty-plus sectoral blacklists for regulatory noncompliance, and the no-ride and no-fly lists, illustrating the target groups and the

violations associated with them. It highlights the human-driven nature of the processes related to blacklists, rather than the often-presumed high-tech and AI-powered nature. Furthermore, it shows that around one per cent of businesses and 0.3% of citizens find themselves on a blacklist at any moment. Both findings reflect the general design of SCS blacklists as targeting only severe violators of laws and regulations.

Human-driven processes pose often-underacknowledged risks for businesses, citizens' rights, and equal treatment. Institutional politics and abuse of power are never far away when humans push buttons. This chapter discusses these risks through a plethora of examples: how the replacement of a city's chief regulator heralded a SCS-powered crackdown, suddenly leading to a significant increase in penalised businesses while leaving those with close relations to the state less affected; how a campaign to achieve a political goal led judges to deliberately ignore the rights and interests of citizens; and how some cities rolled out blacklists for government petitioners and online comments. Moreover, it discusses the SCS' practice of "naming and shaming" to coerce offenders back into compliance.

The Covid-19 pandemic was the catalyst marking the third phase, from 2020 until today, and is the focus of Chapter 6. The pandemic brought central issues of the SCS into the limelight, many of them already simmering beneath the surface for a few years. Suddenly, legal safeguards became a core concern: What if businesses cannot comply with contracts due to *force majeure*? The same applied to the vague nature of "social credit": Is it just to blacklist someone for "untrustworthiness" over something as minor as not wearing a mask? Is that really related to one's "credit"?

Such debates, accelerated by the Covid-19 pandemic, led to a proper rectification campaign. The central government ordered its subordinates to clean up their mess. For the first time, it issued clear regulations prescribing what can and cannot be considered social credit information. It also created guidelines for blacklisting, credit repair (信用修复; i.e. to correct one's negative status under the system), and more. Local authorities quickly followed suit, abolishing or amending regulations that did not align with the new winds coming from Beijing.

Chapter 7 turns to the elephant in the room: social credit scoring. Until that point, this book will have seldom mentioned social credit scoring. That is because scoring is barely a footnote to the SCS, not its defining feature. But how come? And if that is so, why did the SCS become synonymous with mass scoring in widespread coverage? This

chapter unpacks the myths surrounding the system and discusses how the Chinese government makes sense of citizen scoring. It will demonstrate how the super-score myth originated from speculation in the wake of the 2014 *Planning Outline*. Some analysts speculated that the national SCS would be merged with both private experiments to improve credit reporting and local moral publicity campaigns by 2020—both experimenting with score-based assessments. However, this never happened. China’s central bank shut down most private initiatives, while regulation cracked down on local scoring experiments.

On the contrary, there are good reasons even Xi Jinping and China’s surveillance apparatus would not care for an all-encompassing social credit score. This chapter draws from systems theory to show how such a general-purpose score would inherently be so opaque, it becomes useless to anyone. That does not imply that security organs in China are not interested in predictive algorithms to predict crime or protests—they are *very* interested in those. However, a central problem with a social credit score for that is that it makes surveillance extremely tangible, which historically has led to resistance. Moreover, the more generalised the score and its data sources are, the more difficult it becomes to interpret. To prevent threats to the CCP, how well someone separates their garbage or how many games they play is rarely relevant. Therefore, surveillance of dissidents, protesters, and minorities is better left to specialised, covert, and often much more blunt mechanisms. Unsurprisingly, this is precisely what they do.

The final chapter, Chapter 8, looks ahead to the coming years. The SCS is here to stay and forms an essential cornerstone of China’s compliance regime. In late 2022, the draft *Law on the Establishment of the Social Credit System* solidified its important position and will guide it into the next decade. But rather than providing much-needed and long-awaited clarity on critical questions, this “franken-law” raised more questions than answered. It was poorly written, did not clarify how the different aspects of the SCS policy umbrella linked together, and was short on all the key issues. With the law, over twenty years of policymaking came full circle: what started as a vague concept in 1999 was once again turned back into a vague notion that even China’s government appears uncertain about what to do next.

Nevertheless, the policy process in recent years allows for some educated guesses on the next priorities. The system will continue to develop along the lines of credit reporting and regulatory compliance,

which may be gradually linked up while authorities continue their moralising discourse. As new regulatory issues arise in China's socio-economic system, the SCS' flexible framework allows authorities to quickly deploy it to address those issues too, as it has in the past with the Covid-19 pandemic. Enforcement of the SCS will continue its largely human-driven process. However, there will be an increasing emphasis on integrating data systems and digital tools to assist supervision through risk-assessment algorithms. That also means that questions of institutional politics and local cadre interests will continue to shape implementation and enforcement (Table 1.1).

NOTES

1. Ross Clark, 'We Need to Act Now to Block Britain's Social Credit System', *The Spectator*, 24 July 2021, <https://www.spectator.co.uk/article/we-need-to-act-now-to-block-britain-s-social-credit-system>.
2. UNESCO, 'Recommendation on the Ethics of Artificial Intelligence', 23 November 2021, <https://unesdoc.unesco.org/ark:/48223/pf0000381137>; European Commission, 'Proposal for a Regulation of the European Parliament and of the Council on Laying Down Harmonised Rules on Artificial Intelligence and Amending Certain Union Legislative Acts', 21 April 2021, <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1623335154975&uri=CELEX%3A52021PC0206>.
3. For completeness, there are videos available where journalists have interviewed citizens and officials on the Social Credit System. Some of these appear to show scoring mechanisms and discuss severe penalties for online comments. Two examples are the videos "What do the Chinese think of the Social Credit System" by YouTube channel Asian Boss (<https://www.youtube.com/watch?v=nGhOssPumUU>—accessed 7 January 2023) and "China's Social Credit System has caused more than just public shaming" by VICE News (https://www.youtube.com/watch?v=Dkw15LkZ_Kw—accessed 7 January 2023). However, such videos typically conflate Alibaba's Sesame Credit scoring pilot with the SCS or conflate a quirky pilot with national implementation. For more information on this, see Chapter 7.
4. Xinhua, '信用惩戒泛化乱象调查：失信行为“箩筐化”之忧 [An Investigation of the Chaos of Generalized Credit Punishment: Worries about the Basket of Untrustworthy Behaviour]', 13 July 2020, https://web.archive.org/web/20220925100740/http://www.xinhuanet.com/2020-07/13/c_1126228656.htm.

Table 1.1 A quick guide to the Social Credit System¹⁶

<i>Myth</i>	<i>Explanation</i>
The Social Credit System is a scoring system that dictates citizens' place in society	<ul style="list-style-type: none"> Some cities and companies have experimented with rating systems, but these are mere "loyalty rewards programmes" Citizens cannot be penalised for low scores Companies can receive ratings in specific domains that primarily facilitate supervision but do not connect with blacklists
The Social Credit System is a tool for mass surveillance of individuals	<ul style="list-style-type: none"> The SCS primarily focuses on businesses and marketplace behaviour About 1% of companies and 0.3% of individuals receive SCS-related penalties annually. Most are unaffected Only violations of laws and regulations can serve as the ground for punishment Citizens cannot land on a blacklist for playing too many games, occasional jaywalking, etcetera Surveillance in China continues rampantly but does not typically involve the SCS
The Social Credit System evaluates individual behaviour, such as online comments, purchases, and more	<ul style="list-style-type: none"> Humans, not AI take decisions on penalties Digitisation of the system remains limited and it is highly fragmented This will remain the case for the foreseeable future, even if authorities attempt to slowly upgrade and integrate
The Social Credit System relies on AI and big data	<ul style="list-style-type: none"> The SCS has been worked on officially since 2002 and is still far from complete. 2020 was the end of a key construction phase, but development will continue far into the next decade Even China's government is still far from clear about what the SCS is supposed to become
Construction of the Social Credit System was started in 2014 and due for completion in 2020	

5. Melvin Kranzberg, ‘Technology and History: “Kranzberg’s Laws”’, *Technology and Culture* 27, no. 3 (1986): 544–60.
6. Eric Schatzberg and Lee Vinsel, ‘Kranzberg’s First and Second Laws’, *Technology’s Stories*, 2018, <https://www.technologystories.org/first-and-second-laws/>.
7. Rebecca Arcesati and Antonia Hmaidi, ‘Shanghai Police-Database Breach Exposes Lax Data Protection’ (MERICS, 20 July 2022), <https://merics.org/en/short-analysis/shanghai-police-database-breach-exposes-lax-data-protection>.
8. Vincent Brussee, ‘Authoritarian Design: How Digital Architectures on China’s Sina Weibo Facilitate Information Control’, *Asiascape: Digital Asia* 9, no. 3 (2022): 207–41.
9. See the Tweet by Jeremy Daum (@ChinaLawTransl8): <https://web.archive.org/web/20230108105753/https://threadreaderapp.com/thread/1536720793035481090.html>.
10. On the former, see e.g., Virginia Eubanks, *Automating Inequality* (New York: St. Martin’s Press, 2018); Andrew Guthrie Ferguson, *The Rise of Big Data Policing* (New York: New York University Press, 2017).
11. Note on the use of Chinese sources and translations: This book refers extensively to sources in Chinese. To ensure any references are verifiable, I provide links to archived versions in the reference list at the end of each chapter. In cases where the website blocks or otherwise restricts archival, the referenced work is available on file and can be requested with the author. Where I refer to specific keywords that do not have a logical equivalent in English, I provide the original Chinese in-text. However, to maintain readability of the text, I do not provide the original Chinese passage for longer quotes. Where possible, I instead link to unofficial translations such as those provided by China Law Translate.
12. The keywords used to identify relevant policies are: “social credit” (社会信用), “integrity” (诚信), “public credit” (公共信用), “blacklist” (黑名单), “redlist” (红名单), “untrustworthy” (失信), “credit reporting” (征信), and “credit repair” (信用修复). The more general “credit” (信用) has been excluded from the analysis as it is overly general and regularly used outside the SCS-context. All data and charts been updated until 31 December 2022.
13. I refer to two journals in particular: Credit Reporting (征信), which is an award-winning journal that regularly features high-profile experts on the SCS, and China Credit (中国信用), which is issued by a publishing house directly under the National Development and Reform Commission (NDRC)—China’s chief economic planner responsible for coordinating the development of the SCS.
14. United Nations Human Rights Office of the High Commissioner, ‘OHCHR Assessment of Human Rights Concerns in the Xinjiang

- Uyghur Autonomous Region, People’s Republic of China’ (Geneva, 31 August 2022), <https://www.ohchr.org/en/documents/country-reports/ohchr-assessment-human-rights-concerns-xinjiang-uyghur-autonomous-region>, especially Chapters 3–4.
15. Shanghai Office for the Establishment of the Social Credit System, “上海市社会信用建设办公室印发《关于疫情防控期间进一步完善信用修复工作机制助力市场主体稳定发展的实施方案》的通知 [Notice by the Shanghai Office for the Establishment of the Social Credit System on Issuing the Implementation Plan for Further Improving the Credit Repair Mechanism to Help the Steady Development of Market Entities During the Epidemic Prevention and Control Period]”, 4 April 2022, <https://web.archive.org/web/20221117142949/https://www.shyp.gov.cn/shypq/ypxysjdt/20220412/406872.html>.
 16. Adapted from Vincent Brussee, ‘China’s Social Credit Score—Untangling Myth from Reality’ (MERICS, 11 February 2022), <https://www.merics.org/en/opinion/chinas-social-credit-score-untangling-myth-reality>.



CHAPTER 2

The Social Credit System's Emergence and Global Roots

THE EMERGENCE OF THE SOCIAL CREDIT SYSTEM

Huang Wenyun (黃聞云) is the manager of a company in Shenzhen. The year is 1999, and she has worked in the import/export industry for over a decade. In 1987, a company she worked for had suddenly closed down: the owner took out all the company's money and ran with it. He was never found again. In 1992, she founded her own toy company. To her displeasure, her business partners urged her to only manufacture imitation goods, not develop her own product line. She refused. Huang felt a strong entrepreneurial drive and desired to be innovative and independent. After four arduous years of research and development, she finally succeeded. Her company revealed its homegrown, very own flagship product: a learning machine for children. But to no avail. She was shocked to find that counterfeit products were coming in one after another. “The *shanzhai* [imitation products] made me suffer”, she exclaims. There is no way to do business like this.¹

In June 1999, she travelled to the United States (US), hoping to learn more about how she could help build a more honest business environment, one that encourages originality and innovation. There, she visits eight cities and interviews many experts and citizens. One concept captures her attention: credit management. Credit management is unfamiliar to China's market economy at this time, and there is little expertise

on the topic. It has only been two decades since the start of Deng Xiaoping's reform and opening-up, and the economic environment is unruly. She was immediately impressed by what she saw in the United States. "Everyone is more trustworthy", she lauds, "once someone has a bad credit record, they may not be able to find a job".

Upon return, she quickly gets to work. She pens a 10,000-character report petitioning the construction of a credit system and sends it to then-Premier Zhu Rongji. According to her, Zhu was so impressed by the petition that he approved it only three days later, in August 1999, and ordered the leadership of the People's Bank of China (PBOC) to take immediate action. As a result, in September of that same year, the Institute of Economics of the Chinese Academy of Social Sciences—one of China's top governmental research institutes—started a research project on "the establishment of a National Credit Management System". Huang invested over RMB 300,000 in this research group, sponsoring fieldwork trips to Europe and the United States.²

One of the leading scholars involved in this project was Lin Junyue (林钧跃), who quickly became one of the system's intellectual founding figures. Lin had studied in the United States in the 1980s and was more than familiar with credit systems there.³ He even took home the full texts of seventeen credit-related laws, such as the US Fair Credit Reporting Act and the Banking Act, which the research team hurried to translate in full.⁴ By January 2000, Lin and his colleagues compiled their findings in the book *National Credit Management System* (国家信用管理体系). With the ink still fresh, Huang sent the report to the premier.

Upon receipt, Zhu again swiftly approved the report. He organised a meeting attended by leaders from ten ministries and commissions, where he provided further instructions to the government to study challenges and opportunities for the construction of a "social credit management system" (社会信用管理体系). On the 26th of January 2000, the State Council—essentially China's cabinet—released an essay by Zhu in which he stressed to "vigorously rectify social credit".⁵ Just two months later, in March, the premier delivered the Government's Work Report to the National People's Congress (NPC)—China's rubber-stamp parliament. There, he mentioned the rectification of social credit in the same context as fraud, tax evasion, the supervision of financial institutions, and debt repayments.⁶

Moreover, a few officials turned these reports into proposals submitted at that year's Chinese People's Political Consultative Conference (CPPCC). The CPPCC is a deliberative body without formal power in China's political system, whose annual meetings in March coincided with the NPC. However, the leadership occasionally picks up some proposals for implementation. Given that Zhu Rongji had already expressed serious interest in this development, this was one of those cases. The SCS would become a key feature of governance in twenty-first-century China.

THE TRIFECTA OF “CREDIT” PROBLEMS

Huang's proposals came at a pivotal moment after decades of growing awareness of emerging socio-economic challenges related to “credit”. In March 1999—four months before Huang's petition to Zhu Rongji—delegates of the CPPCC had submitted a different set of proposals for establishing a credit system.⁷ The challenges identified throughout the initiatives fall into three buckets: financial, regulatory, and moral. The following section describes these in more detail.

A Lack of Credit Management Systems Threatened Financial Stability

By the mid-1990s, the dominant sentiment in China's government was that the economy was spiralling out of control.⁸ It had just been two decades ago that Mao still tightly tugged the reigns of China's economy. After Mao's rule ended and Deng Xiaoping eventually came out on top of the succession struggle, in 1978, China embarked upon its reform and opening-up trajectory. The swift change from a fully state-controlled, socialist system to one encouraging private ownership and profits was turbulent and only really came to an end by the early 2000s.

Now, the authorities shifted their attention to improvements in the administrative functions of the government.⁹ Systems for market supervision and regulation, credit provision, and legal structures more broadly all needed to be formed from scratch. Lin Junyue eagerly pointed out that the US, many European countries, and even Japan all had developed credit reporting mechanisms before the start of the twentieth century, where they only gradually matured.¹⁰ With China's rapid economic growth, it had to do so in a few decades.

The decades following the reform years were earmarked by socio-economic turbulence, occasional periods of sky-high inflation, and

extensive reforms to the role of state-owned enterprises (SOEs) and government-determined work units. Just a few years after the start of reform, in 1983, credit growth in China's economy already averaged 13.7%. In 1984, credit growth accelerated to 36.4%. The state could only barely keep up and prevent a credit bubble from bursting China's economy. Not much later, a period of skyrocketing growth until 1988 preceded plummeting GDP growth rates and high inflation levels in 1989. This provided the backdrop for the Tiananmen Protests and the Party's bloody crackdown in June of that year. During the late 1990s, the Asian Financial Crisis hammered China's economy, once again threatening to push it into a recession. Credit growth plunged from 23.8% in 1997 to single digits in the early 2000s. Many companies defaulted on bad debts.¹¹

One of the first times “social credit” (社会信用—in this context perhaps better translated as “credit in society” or “societal credit”) appeared in policy documents was as early as 1991. That year, the State Council established the *Leading Small Group (LSG) on Cleaning Up Triangular Debt*. Triangular debt refers to a debt chain where A owes a debt to B, B itself owes a debt to C, and C owes a debt again to A. This chain caused a deadlock of debts, causing mass defaults. Reports suggest that during the 1991–1992 period, around a third of all loans in China were triangular debts.¹² As the group noted, this situation had “damaged societal credit”, mentioning it in the same breath as other issues such as tax arrears.¹³ In 1996, the PBOC noted to the State Council that it was necessary to “stabilise financial order and establish good social credit relationships”. It related it to all kinds of financial fraud, debts, and violations of state regulations.¹⁴ In 1997 the PBOC had already started concrete preparations for a national credit registration system.¹⁵ And in August 1999, Shanghai began the first credit reporting pilot.¹⁶

Nonetheless, few systems remained in place to manage the new credit economy. In 1996 and 1999, the PBOC established some fundamental regulations on loans and consumer credits.¹⁷ Still, most citizens had no financial history. According to data from the consultancy firm CEIC, only 66 million credit cards were in circulation in China by June 2007.¹⁸ By 2010, the PBOC had collected financial information on 670 million citizens, but only 100 million had information relevant to credit reports.¹⁹ As recent as 2021, about 280 million adults in China remained unbanked, or 20% of the total population.²⁰ For enterprises, the situation was even grimmer. Although the first credit reporting institute in China dates back

to 1987,²¹ only 55,000 corporate credit reports were issued China-wide in the subsequent fifteen years.²²

For banks, this made it near impossible to assess citizens' and companies' capacity to take out and pay back loans, which inhibited the growth of China's economy. After all, how could the credit economy grow without credit reporting or evaluation mechanisms and solid regulation? Before the 2000s, China's economy had been at risk of collapse on multiple occasions. A continuing lack of reliable regulatory mechanisms presented an ever-growing risk that its economy could succumb under its disorderly expansion. The global financial crisis kickstarted in the United States in 2007 was just another friendly reminder.

This challenge was especially prevalent in China's rural areas. In 1996, the PBOC started investigating rural credit cooperatives in Enping City. They found that beginning in 1993, the city's leaders and local bank managers took high-interest deposits of as high as 36% and used the money to provide off-the-book loans. After three years, the cooperative was about to default: they had attracted considerable investment but now had over RMB 2 billion in outstanding deposits that they could not pay. At the risk of protests that could spiral out of control, the China Construction Bank bailed out the depositors by guaranteeing RMB 2.6 billion.²³ Once the Asian Financial Crisis struck China, the situation worsened. On December 1998, central authorities closed all the city's 20 rural credit cooperatives, and in 1999 the State Council banned rural cooperative funds.²⁴ The total estimated loss closed at RMB 6.8 billion, or about RMB 15,000 per inhabitant of Enping—more than two times the average per capita annual income at that time.²⁵ Triggered by this challenge, managing and facilitating loans to rural- and small-to-medium enterprises became one of the core issues associated with the SCS.

China's Government Was Unable to Effectively Enforce Legal Obligations

Credit provision in the financial sense was only the tip of the iceberg of the problems flagged by Huang Wenyun that would later be associated with the SCS. A related issue was China's legal and administrative system: its enforcement capacity. For decades, a central problem in China has been the enforcement of legal obligations like laws, regulations, and contracts. In 1996, expert on the PRC's legal system Donald Clarke cited that "the courts' judgements cannot be enforced. Not only can the debt

not be recovered, but the expenses of litigation are lost as well". Issues contributing to this problem included local protectionism, such as agencies refusing to enforce a ruling from a court in a different region to protect local interests and the general inadequacy of enforcement officers.²⁶ In other cases, citizens would flee to another province, leaving authorities unable to reclaim debts.²⁷

For administrative regulations, enforcement has similarly remained lacklustre. Until recently, fines were typically so lenient that many companies simply preferred to pay fines rather than comply with cumbersome regulations. In other cases, there simply were not enough supervisory mechanisms, or these supervisory mechanisms remained ineffective because they remained confined to the narrow bureaucratic jurisdiction of a specific agency. Many of these bureaucratic units did not like to work together, and even today, bureaucratic turf wars remain a common issue in China.²⁸ Corruption further hampered enforcement capacity.

By the 1990s, some rudimentary efforts were underway to improve enforcement. In 1984, a small city in Liaoning province started a campaign on "honouring contracts and keeping promises (lit. keeping credit 重合同守信用)". It became a nationwide initiative that over one hundred thousand companies co-signed. In 1986, the *General Principles of the Civil Law of the People's Republic of China* required society to obey the principles of honesty and creditworthiness (诚实信用).

However, such measures never proved sufficiently effective. Enforcement challenges lasted until well into the 2010s. In 2013, the Ministry of Commerce (MOFCOM) estimated the country's "lack of credit" caused economic damage worth RMB 600 billion (about USD 90 billion at exchange rates of early 2023), of which 30% related to counterfeiting, contract fraud, and poor product quality. Of the 4 billion contracts signed in China each year, the performance rate—the number of contracts performed as agreed—was only 50%.²⁹ In 2010, nearly half (46%) of the civil court cases in Guangdong province pertained to the enforcement of debt repayments, where debtors had failed to repay their loans or other debts. In many of these cases, the debtors actively evaded court rulings by concealing their actual location. Courts argued there was no effective way to coerce people into compliance with the court. They essentially relied on voluntary compliance but could not enforce their rulings if culprits refused to implement them. Thus, courts needed to increase the cost of noncompliance and establish better information-sharing practices.³⁰

A Moral Vacuum

These problems were all framed in a moralising discourse. The PRC state views itself as the moral patron of the society, responsible for instilling the correct mores in society through propaganda and education.³¹ This is not new: successive political systems in China have all drawn from and instrumentally leveraged moralistic discourse. But by the early 1990s, dismantled Mao-era socio-economic structures and values left a perceived moral vacuum. In 2004, dozens of infants died of malnourishment after ingesting fake powdered milk. Four years later, the melamine-tainted milk scandal poisoned nearly 300,000 babies resulting in an estimated six deaths.³² In 2011, a scandal shocked China when over a dozen passers-by offered no help when they saw a mortally wounded child on the street. In 2018, hundreds of thousands of children received faulty vaccines.³³ These severely affected the trust of citizens in their marketplace and the government.

Government officials perceived low morality as a leading cause of economic challenges. An official in Guizhou province illustrated that a local township successfully attracted a prominent company to the area that would help the development of the traditionally impoverished region. However, the residents “did not keep their word” (不守信用), secretly trading and misusing resources. According to the deputy, this caused economic development to fail in the area and the company to eventually relocate. The conclusion was that residents could not lift themselves out of poverty if they did not have integrity.³⁴

In short, three challenges plagued China’s nascent market economy that would later be associated with the SCS. The first was financial, related to assessing the borrowing capacities of citizens and companies and the repayment of borrowed funds. The second concerned law and governance, covering the enforcement of laws, regulations, and contracts, and the third concerned values and morality. The PRC government saw these as closely related. Loan repayments may require legal enforcement, while a perceived moral vacuum may imply citizens simply do not abide by contracts. But the consequence, as this book shall demonstrate throughout, was that the SCS would become a “catch-all” system. It attempted to solve a wide range of challenges but without clear boundaries and division of responsibilities.

These three interrelated challenges were all reflected in Huang’s initiative. The proposals drafted for the CPPCC put forward the first outlines

of today's SCS. As the delegates emphasised, trust is fundamental to all business: all economic activity collapses if one cannot guarantee that a partner will abide by a contract. They doubled down on three problems in China's market economy: fake, counterfeit, and substandard products; triangular debts and non-performing loans; and payment arrears more broadly. Furthermore, they once again referred to the experiences of advanced economies: they all had established relevant legal norms and credit evaluation systems. It was China's lack of these that held its development back.³⁵

Given the unruly economic environment and Zhu Rongji's explicit backing, these proposals found support in China's bureaucracy and would soon receive the official get-go from the CCP. In October 2002, the 16th Party Congress officially confirmed the construction of the system—mentioning it in the same context as the construction of a modern socialist market economy. In 2003, construction and implementation formally started in a selection of provinces and cities in China's more developed regions.

HOW THE “WEST” INSPIRED CHINA’S SOCIAL CREDIT SYSTEM

The credit systems that inspired Huang Wenyun, Lin Junyue, and Zhu Rongji are rarely new. It is about establishing mechanisms to share information about an entity's reputation—information about an actor that informs us about their characteristics and future actions, especially concerning economic activity—to help businesses and bureaucrats make better-informed decisions.³⁶ In Europe and the United States, they are not always explicitly called “credit” systems, but their mechanisms are analogous.

Take lending money as an example. When a friend asks me to borrow money, I never know for sure if they will pay me back. But because I have known them for a long time, I can probably guess. If they have always paid me back quickly, I am more likely to trust them the next time too. If they only pay after I ask them for my money for over three months, I may say no the next time. Even if I have never lent money to this friend personally, I may know other friends have done so before and base my decision on their experiences. Or perhaps they once told me about their income level. The information I have about their reputation allows me to decide whether or not to trust them.

Banks, however, do not typically have the fortune of knowing everyone personally. This creates an information asymmetry: I may know I always pay my credit card payments back on time, but the bank does not. Perhaps my credit card was from another bank. Or maybe I lived in another country for a few years, so there was no relevant credit history when I returned home. Banks must account for this uncertainty: I will have to pay higher interest rates or be able to borrow less. If this is the case everywhere, the economy will suffer due to skyrocketing transaction costs and low trust. Modern economies are credit economies, meaning that economic growth will be affected if credit provision decreases or transaction costs increase.

Modern credit systems aim to address this by collecting and aggregating information on loans, mortgages, and consumer credits from different sources. They convert this information into an overview—sometimes with an evaluation—that informs the lender about potential risks. They can offer sizeable loans at lower interest rates for people who have a stable income and always pay credit card bills on time but will probably refuse to provide loans to those with bad credit records. One of the most well-known examples is the FICO score, which analyses all loans someone has taken out, their payment history, and whether these bills have been paid on time. It transforms that into a three-digit score that other financial service providers and other relevant parties can request.

The FICO credit rating was only one of many sources of inspiration for the SCS. In 2002, officials at a high-level government symposium on corporate credit reporting systems spoke highly of credit reporting systems in the United States. They lauded companies like Dun & Bradstreet—who at that time collected information on 57 million businesses worldwide—and world-leading firms like Standard & Poor's. They also highlighted how there were over a thousand companies for the investigation of personal credit records in the United States, the largest of which were responsible for processing over 500 million pieces of consumer information annually.³⁷ This stood in stark contrast with the only fifty-odd credit reporting companies in China at that time.

Reputation is not just about banking and loaning money. Perhaps this same friend asks me if they could borrow my car. Of course, I will only entrust it to them if they treat it like their own. I might consider that they borrowed my power bank before and faithfully returned it to me the next day. I may think back to that money they repaid me on time. More creatively, I may even remember that they have done lots of volunteer

work. That must say something positive about them, mustn’t it? Even if none of these are strictly related to my car, these experiences still tell me whether I can trust them.

Banks, governments, and even airlines, just to name a few, are each very interested in tracking reputation. Airlines may not want someone on their plane again if they have previously harassed flight attendants or posed a danger to flight safety. A government may be interested in tracking tax fraud: If someone has been convicted of it before, the government may look at their subsequent tax returns a bit more closely. And just like when I consider loaning out my bike, the tax authorities may not only look at one’s previous tax records. They may also be interested in knowing if someone has committed certain felonies or if they have always paid other bills on time. All these *may* inform the tax officer of the risk that this next tax return contains issues. I emphasise “may” here since not all of this has scientific proof. That is where such systems can quickly cause unintentional harm.

Although such mechanisms are nowadays not commonly labelled “credit” in Europe and Northern America, this did not always use to be the case. Saliently, “credit” started as a broad concept with a distinct moralising character. In the United States, credit reports began as narrative descriptions, with the key criterion being someone’s moral character. In Germany, credit mirrored the understanding of “social trust” in local communities. That only changed when rapidly growing banking systems required more objective, morally neutral credit evaluations, after which “credit” became a purely financial term as many know it to be.³⁸ But in China, most experts and officials still discuss “credit” in its broadest form—as a broad, often moral indicator of someone’s reputation.³⁹

Reputation is a precious currency anywhere. For instance, tax authorities may choose not to even waste their time inspecting a tax return for 500 euros by someone who previously always filled out everything perfectly and on time. Still, they may look twice at a hefty claim by a company with a history of fraud. Similarly, food and hygiene inspectors may prioritise their inspection of a restaurant serving raw fish over a coffee shop.

Blacklists are an essential component of most credit or reputational systems. Blacklists are exclusionary mechanisms that log entities involved in or suspected of a particular undesired behaviour. These can be violations of “hard” legal norms, but they can also be more subjective. Perhaps the world’s first modern blacklist was the US Attorney General’s List of

Subversive Organisations (AGLOSO), started by former US President Truman in 1947 during the height of the “red scare”. It was initially supposed to be a screening mechanism for the “loyalty” of all federal service employees, i.e. a highly subjective assessment that they do not sympathise with “communism” and other “subversive” ideology. It was later quickly adopted by public and private groups to discriminate against vast groups of citizens and businesses without any notice, charges, or hearing.⁴⁰

Today, blacklist mechanisms exist almost everywhere in advanced economies. For instance, airlines maintain blacklists of passengers that have harassed flight crew, posed a danger to flight safety, or may be involved in terrorism—the no-fly list. If a passenger is involved in such behaviour (or merely suspected of it), airline staff can add them to this list and deny them boarding next time. Civil aviation authorities also use blacklists for airlines that do not meet appropriate safety standards. Airlines on those lists are forbidden from entering the airspace of the respective countries. Insurance companies have created joint associations to share information on fraud or abuse. Members can use this information to check for fraudulent insurance claims or restrict people on the list from taking out new insurance policies. Some European countries also have blacklists for medical professionals or hospitals failing to deliver quality care, which patients can query online. Even your local pizza place may have a blacklist for customers that refuse to pay upon delivery.

From the system’s inception, China’s experts and officials saw blacklists as an indispensable mechanism. In 2002, Lin Junyue formally proposed his vision for blacklists: First, professional credit agencies must collect credit data from government agencies and private organisations and share the assessments through specialised databases. He did not clarify whether this credit information was supposed to be financial only or broader. Second, the government must help establish a “joint defence mechanism” (联防机制). That is to say, government regulators, industry associations, employers, and more agree to restrict doing business with or providing services to entities with dishonest conduct.⁴¹ This vision aligns closely with the established reputational mechanisms worldwide and has remained remarkably consistent across the decades of SCS construction.

A WARNING SIGN FOR CHINA

The decades-long experience with credit systems in advanced economies should be a warning sign for the SCS in China. Credit reporting mechanisms mirror and exacerbate existing or historical racial biases. Historically, people of colour have typically not enjoyed the same generational wealth as white middle-class citizens. Racial policies refused to guarantee mortgages for African American communities, denying them a key source of wealth and leading to disadvantaged credit assessments. Social security programmes such as unemployment insurance and minimum wages did not cover the most significant occupations for African American employees.⁴² Even when correcting for income differences, African Americans face higher rates of debt collection lawsuits.⁴³ People of colour have also historically been disproportionately targeted with predatory lending practices, affecting their credit records today.⁴⁴ Consequently, the median credit score in predominantly black neighbourhoods in the United States is one hundred points lower than in white communities. Women score about ten to fifteen points lower—despite carrying less debt than men.⁴⁵

The consequences of these biases are severe, as a poor credit report exacerbates socio-economic inequality. In the United States, surveys indicate 31% of companies regularly screen candidates' (financial) credit history, and 16% screen *all* candidates for their credit history.⁴⁶ Such screening can easily discriminate against applicants from less fortunate socio-economic backgrounds, as they are less likely to have exemplary credit records. Although US legislation in the form of the Fair Credit Reporting Act requires prior consent for this,⁴⁷ candidates can hardly afford to say no if it costs them a chance at a job.

Credit records regularly also contain crucial errors. According to a US Federal Trade Commission study, one in five US credit reports contains major errors. Five per cent of these errors were so severe that they could lead to less favourable terms for loans.⁴⁸ There are also severe privacy risks, such as when a data breach of credit bureau Equifax exposed the personal information of 147 million people.⁴⁹

The ever-expanding capabilities of digital surveillance are raising extra concerns. Under traditional surveillance systems, authorities had to identify a small group of targets first. They had neither the data nor the manpower to keep tabs on the entire population. Only after manually identifying targets could they deploy the full suite of surveillance tools. But under modern surveillance, the target emerges from the data. The

wealth of data available today, combined with modern analysis techniques and raw computing power, allows surveillance systems to identify targets for closer scrutiny even before they miss a loan repayment or commit a violation.⁵⁰ These techniques are becoming increasingly popular in credit and reputational systems.

More and more, blacklists follow the principle of “guilty until proven innocent”.⁵¹ In the United States alone, the government has blacklists like the no-fly list, screening mechanisms that restrict the right to work of citizens and (lawful) immigrants, no-vote lists, and much more. These use data systems to flag suspicious patterns and automatically add citizens to digital watchlists that restrict their rights and liberties.

One of the most concerning illustrations comes from the Netherlands. In 2013, investigative journalists unveiled widespread fraud in the Dutch system for social security allowances. A gang of men from Bulgaria used fraudulent rent contracts to register themselves as Dutch residents, which allowed them to illegally receive rent and healthcare subsidies. The news shocked the country—it was still amid the peak of the Eurozone crisis, and painful budget cuts were daily business—and led to the inception of a new system to track fraud: the Fraud Signalling Provision (Fraude Signalerend Voorziening, or FSV for short).⁵²

As the name implies, the purpose of the FSV was to mine data such as tax returns and personal data to identify fraud signals. Tax and social security officers would then manually follow up on these signals. An example of such a signal could be someone submitting high returns for commuting costs while living close to work.⁵³ But according to an official investigation by the national privacy watchdog, around two thousand of the signals described in the information system also included the citizen’s nationality. Almost twenty thousand (4%) had medical data of citizens.⁵⁴ Other potential signals included those received via anonymous tip lines, even if not proven.

Based on this data, the tax authorities created a blacklist of 270,000 citizens or 1.5% of the Dutch population.⁵⁵ These citizens were automatically marked as “potential fraudsters”, even without formal investigation of these signals. There was no valid legal basis for collecting any of this data, and authorities stored data for unlawfully long periods.⁵⁶ In many cases, signals of fraud were erroneous or not appropriately updated. Minor errors in tax returns could be labelled as fraud even if there was no proof that the error was with fraudulent intent.⁵⁷ That is an especially egregious violation of citizens’ rights since the Dutch tax and subsidy

systems are highly complex and may as well require a double PhD to fully comprehend.

The anti-fraud efforts turned into a witch hunt of unheard-of proportions.⁵⁸ Authorities ordered thousands of citizens to repay subsidies worth tens of thousands of euros over minor errors. Since eligibility for such grants depends on one's income level, this disproportionately affected poor citizens that would never be able to repay such sums. This, too, disproportionately targeted Dutch citizens with a migration background. And because they were brandished as "fraudsters" in the system, the system, in some instances, automatically rejected requests for personal repayment plans.⁵⁹ Citizens that wanted to challenge these decisions battled against an army of state lawyers for years. It took many over five years to restore their reputation. But this could not undo the many years of pain caused by the system, destroying marriages, forcing citizens to sell their homes, and causing widespread depression. One citizen was driven to such desperation that they⁶⁰ committed suicide.

These lessons are directly applicable to China. The Netherlands has an independent judiciary, watchdog journalism, and relatively strong privacy legislation. Such enablers exactly drove the investigations that brought these issues to light. Although privacy legislation in China is rapidly developing, its judiciary and media will never serve as an independent check on state power in this same way. Meanwhile, authorities in China have already made plans to create differentiated risk profiles on companies, for which they intend to mine data like public complaints and annual reports of companies for "irregularities" (Chapter 6).⁶¹ These plans sound eerily similar to the "fraud signals" used by the FSV.

WHERE THE SCS DEVIATES FROM ESTABLISHED CREDIT SYSTEMS

Although the SCS took profound inspiration from these global predecessors, the SCS quickly took a different turn. The state in China is the driving force behind the SCS, while credit reporting institutions in the United States and Europe are typically private companies.⁶² There, an extensive regulatory environment manages the (ostensibly) smooth operation of this market, as illustrated by the seventeen pieces of legislation Lin Junyue brought back from the US.

In China, such laws were notably absent. Credit reporting agencies could only do so much without clear regulations, while businesses

were scarcely familiar with the credit reporting industry and its use. Hence, State Council officials as early as 2002 argued if the government promoted the SCS to society, the market would gradually follow.⁶³ Even the original name of the SCS reflected this: earliest plans called it the “National Credit Management System” (国家信用管理体系). Around 2002, “national” was changed into what we now typically translate as “social” (社会) but perhaps more accurately means “societal” (as opposed to governmental) to reflect the idea that the SCS should be built *with society*, that is to say, including companies, industry associations, etc.⁶⁴

Elsewhere, there is typically little relationship between credit reporting systems and those combatting academic fraud. Business cooperatives to tackle insurance fraud do not have a relationship with a blacklist for environmental damage in the mining industry. But the SCS merges these to a certain extent. For instance, China’s tax authorities cooperate with (among around 30 others) the Ministry of Ecology and Environment and the Civil Aviation Administration to penalise cases of severe tax fraud. And inversely, the tax authorities may cooperate with these agencies to enforce measures in their respective domains. Under the SCS’ government-led initiatives, these are part of the same policy umbrella, even if they do not always meaningfully connect as the system gets reined in by laws and faces the constraints of inter-departmental collaboration. (Although, as shown earlier in this chapter, historical credit systems *did* have similar propensities to see “credit” in a much broader sense.)

This chapter demonstrated what inspired the SCS and what lessons observers can take away from that. The following chapter will analyse what the SCS really is and how it works.

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CHAPTER 3

The Policy Umbrella of Social Credit

CONFUSED

As China geared up to celebrate 70 years of the People's Republic and autumn leaves combined with PRC-flags coloured the streets red, a group of consultants released a scathing yet inaccurate report on the SCS. It warned companies of a nefarious big data-enabled mass rating system that threatened to nullify the boundaries between legal and illegal conduct. The report caused quite a stir, leaving officials at the National Development and Reform Commission (NDRC), China's chief economic planner, bewildered. In an effort to clear up the confusion, they extended an invitation to the consulting group to come and discuss the central government's plans for the system with them. Soon thereafter, a representative of this group received a puzzling message from officials at China's MOFCOM. They asked: "Could you ask the NDRC if we can also attend this meeting? We would also like to learn the NDRC's plans for the system".

Navigating the labyrinth of social credit has proven a perplexing task for China's government and foreign observers alike. Despite nearly two decades of collaborative efforts between the NDRC, MOFCOM, and dozens of other ministries, they had yet failed to surmount the most fundamental obstacle: elucidating the key concepts and aspirations of the SCS. This chapter argues that one intrinsic reason is that the SCS conflates too many initiatives under the same "policy umbrella". The SCS does not

particularly concern anything “social”. It is not all about “credit”, and it is certainly not a “system”. Its complexity is such that even China’s central authorities are often at a loss regarding its next step.

Today, hundreds of headlines have discussed the system, but few have systematically broken down what the SCS is and how it works. Some studies refer to the “breathtaking” ambition of the system and the “massive quantities of behavioural data” going into the system without substantiating these claims in any way.¹ Others wholly rely on *assumptions* of what the system will look like, erroneously speculating that everyone will receive a social credit score, that this score will be publicly available, and that a bad rating will have far-reaching consequences.² It is like a game of Chinese Whispers gone wrong.

When even many in China’s government are unclear about what the SCS is supposed to be, it is easy to imagine the ensuing mess. The SCS spans dozens of initiatives across three dimensions: (1) the core “credit” issues authorities intend to address with the system, (2) the different reform areas to address these in, and (3) the actors that shape the system. Each intersection of the three dimensions corresponds with a policy initiative under the SCS. For instance, there is an initiative to reward the “trustworthiness” [dimension 1] of individuals [dimension 2] that is operated by private companies [dimension 3]. There are also initiatives to penalise violations of health and safety regulations [dimension 1] by companies [dimension 2] that are primarily run by China’s market regulator [dimension 3], and much more. This complexity was never planned that way from the start. Still, everything gradually morphed into this weird framework of systems as ambitions evolved over the two decades of the system and became conflated.

This chapter first briefly introduces the PRC’s vision for data and informatisation. Subsequently, the following sections go through the three dimensions, with a few interjections to discuss how these facets work in practice.

SYSTEMS-ENGINEERING CHINA

According to CCP ideology, governance is essentially a complex systems engineering project. That means social developments can be made intelligible and understood like laws of nature and should therefore be governed by similarly objective laws and mechanisms.³ The CCP’s fundamental assumption is that “all genuine questions must have a true

answer”.⁴ Moreover, there is a dependable path to arrive at these answers, and these truths will never be incompatible with one another. Fundamentally, the CCP is the one that can grasp these truths: they have the correct political theory to identify and resolve contradictions to ultimately arrive at the right response.⁵

Data is the way to grasp these objective truths. Supplied with plenty of sufficiently accurate data, China’s leadership envisions it can engineer the optimal governance solutions for socioeconomic developments. In official discourse, this is called “scientific development” (科学发展), or the belief that problems can be broken down into different indicators, quantified, and solved accordingly. China’s Leninist system believes that “an ideal organisation can access and process all the information needed to exercise optimal political, social and economic planning”.⁶ In other words, as long as the CCP leadership gets all the correct data, it can make the optimal decisions for socio-economic development.

China’s reform and opening-up in the late 1970s, combined with the increasing advancements in science and computing, created an especially fertile ground for the emergence of systems engineering. Proponents of systems engineering explained it as using mathematical models to quantitatively reflect the relationships between variables. Then, they studied how these different factors can be used as levers to guide any system in the desired direction.⁷ Such theories were rapidly applied to population control, where experts theorised that China’s optimal population would be 700 million—one billion at that time.⁸ This theory led to the planning of the one-child policy, which changed the entire fabric of China’s society to this day.⁹ In the following years, systems engineering would be further applied in fields like agricultural planning, pricing system reforms, and policing.¹⁰ Ultimately, however, systems engineering never proved its scientific worth and did not withstand the test of time. Nonetheless, this theory continues to influence the thought process of officials over questions of social order, who continue to take mechanical approaches to (re)solve social and economic issues.¹¹

Getting all the essential data—and interpreting it correctly—remains a mammoth task. The *14th Five-Year Plan for National Informatisation*, China’s top planning document for digitisation between 2021 and 2025, was remarkably blunt about the shortcomings in this area. It noted “several prominent shortcomings”, such as “unbalanced and incomplete informatisation”, “weak segments” in social governance, and still

analogue grassroots governance techniques.¹² Many other policy documents over the recent years have expressed similar concerns about data fragmentation, inadequate digital literacy of cadres, and more. As the following chapters will show, this is especially remarkable because many of these digitisation objectives had already been at the top of the authorities' agenda a decade ago. The fact that they remain so suggests these issues are deep-rooted in the system and do not have a quick fix.

When decisions are made based on poor or incomplete data, disaster strikes. The previous chapter has cited plenty of examples from outside China, but China itself is also far from alien to this. Infamously, officials competed to please Mao during the start of Mao's Great Leap Forward. They overreported immense growth in grain output, which propaganda outlets eagerly parroted. Misled by this falsified data, the central government then diverted rural labour from agriculture to industry, causing one of the worst famines in human history and the starvation of tens of millions.¹³ Yet, problems with statistics and data models do not always need to be due to human falsification. Especially in today's era, algorithmic biases can exacerbate certain groups' marginalisation. At the same time, errors in data used for predictive policing can lead to the erroneous targeting of innocent citizens (Chapter 2).

Even if data can be completely accurate and unbiased—an absurd assumption in the current day and age to begin with—this philosophy does have implications for how the system regards the people it governs. As Tsinghua University's law professor, Lao Dongyan wrote in a famous online essay:

In a trance, I heard the sound of the state machine rattling and turning, responsive and orderly but lacking any warmth, appearing rational and cold. In the eyes of such a state apparatus, the abstract idea of the group reigns supreme, while the concrete individual members have no value at all. In fact, the more the people as a group are elevated, the more insignificant they become as individuals.¹⁴

Professor Lao's essay was not regarded with grace by China's censors, but her point is on the mark. Humans become indicators that need to be optimised or solved. To the overarching system (in abstract form), the grievances or individual circumstances of individual citizens only matter insofar as they affect the aggregated statistics. In itself, this is rarely unique to China: governments worldwide rely on aggregated data on

their population to make decisions. The difference is that China's government—increasingly solely the CCP—has the sole power to determine what indicators matter and how these should be defined, operationalised, and assessed. In many cases, transparency is lacking, safeguards are poorly defined, and sweeping exceptions exist for security agencies to act with great discretion.

What gets measured gets managed. These statistics and the surrounding evaluation and assessment mechanisms for government officials create deep-rooted institutional constraints. One of many powerful examples of this is the work by legal scholar He Xin. His work demonstrated that because courts in China evaluate judges based on appeal rate and social incidents that result from their rulings, these judges typically lean towards politically safe decisions rather than decisions that do justice to citizens' legal rights. In practice, this meant that women seeking a divorce in court rarely receive the outcomes that do justice to their legal rights, as courts are afraid of appeals or social unrest caused by the husbands.¹⁵ It shows that evaluation metrics for officials and data assessment methods sometimes carry more weight than the norms and safeguards established in Chinese law.

In some cases, these institutional constraints privilege powerful groups, such as the men filing for divorce in He's study. In other cases, the overriding concern to maintain social stability leads judges to give preferential treatment to minority communities.¹⁶ Citizens are typically well aware of the pressures local authorities and judges face and can use that as a bargaining chip to push back against the system.¹⁷ Similar questions are visible in the SCS, where specific regulations prescribe that violations leading to mass protests can be valid grounds for penalties.¹⁸ Inversely, some older (now abolished) SCS provisions created special blacklists for protestors that violated China's strict petitioning regulations.¹⁹

In today's digital systems, surveillance and digital convenience are deeply intertwined to the extent that it is often impossible to distinguish between the two. For instance, citizens in China can travel by long-distance train by simply scanning their identity cards at train stations. This is a great convenience for many: manual check-in and paper boarding passes are no longer needed. But authorities can also immediately use this data to track citizens' movements. Social media platforms require users to register using their phone number, which is tied to their identity card. Great to prevent scammers and fraudulent activity—although

anyone living in China will tell telephone fraud remains omnipresent—but also very useful for police agencies to track dissidents. An increasing number of online portals for government services allows citizens to handle administrative processes more conveniently yet facilitates surveillance as all data can be directly structured and transmitted to a database for analysis.

In essence, digital convenience for citizens is equally digital convenience for the government. Information is no longer scattered across handwritten notes collecting dust in endless filing cabinets but in databases that authorities can query virtually instantly. Once again, this is hardly unique to China, but the political-legal system that underpins all of these practices is.

The SCS is the offspring of this ideology. Inspired by credit reporting systems worldwide, authorities envisioned it as the solution to problems like fraud, professional malpractice, court enforcement of contracts, and loan defaults. It promised to take data such as government permits, administrative rulings, and more from dusty filing cabinets to online databases; it deeply blends digital convenience and surveillance; and reflects structural issues in China’s political-legal system. The following sections detail its different mechanisms.

SOCIAL CREDIT AS A MECHANISM

The SCS is primarily an umbrella of financial and regulatory mechanisms. The many different objectives and initiatives covered under the SCS mean that it is impossible to speak of it as a singular, integrated system. Instead, there are various mechanisms, each governed by different policy designs, logic, and objectives.²⁰ They are not always fully integrated but share a joint—often considerably abstract—overarching policy logic. Needless to say, if “social credit” is poorly defined, authorities will also use it in ambiguous ways or stretch its definition as far as possible. And indeed, as many Chinese scholars have criticised: credit has become a “basket”; everything is just put into it.²¹

One of the key mechanisms is a shared information ecosystem. This ecosystem consists of portals through which government agencies exchange so-called public credit information. This information refers to data gathered by administrative bodies such as permits, market supervisory data, penalties, and severe legal or regulatory violations. Other government agencies can then reference this in their administrative and supervisory work. For instance, an environmental protection agency in

one city may use information shared through the interface when assessing permit applications for a new production plant. They may find that a company has received fines for violations of environmental regulations in another city and use that information to refuse the application. Alternatively, they may find that the same city's production safety bureau has rewarded the company for exemplary compliance and rest a little bit easier when handing out the permit.

Authorities also share this information with the greater public through Credit China (信用中国). Moreover, third parties can also acquire it, such as well-known corporate information databases like Qichacha (企查查). That way, businesses can assess whether or not a potential business partner truly is what they say to be, actually holds the permits they claim to hold, and, more broadly, can be a trustworthy client. In practice, SCS planners achieve this by assigning each business a social credit code (社会信用代码), a unique identifier (note: not a score) that all government institutions use. Anyone countrywide can query this online to find relevant info on this entity. Individuals are identified through their standardised ID card numbers, but their information typically cannot be freely queried online.

In addition, a collection of blacklist mechanisms (penalty lists) and redlists (reward lists) coerces severe violators of laws and regulations back into compliance while encouraging exemplary behaviour (discussed in more detail in Chapter 5). Companies can sign a credit pledge (信用承诺) to smoothen otherwise lengthy administrative processes when applying for permits, accepting (severe) punishment if they break commitments. Market supervisory entities use a process known as credit evaluation (信用评价) to assess companies' compliance and to classify risk, the outcomes of which they once again feed back into the system to allow for better decision-making and more targeted supervision.

In this sense, the SCS is a facilitator.²² For instance, it cannot penalise or reward people by itself. Instead, agencies can *use* SCS mechanisms to penalise someone, such as by blacklisting them. It also offers means for administrative and supervisory agencies to input and share data. Speaking of the SCS as if it were an actor obscures that the SCS is a toolbox that someone wields for particular reasons. As a result, the SCS adds a few inherently new regulations that individuals or companies must comply with. Instead, blacklist provisions refer at length to formal regulations by the Central Committee of the CCP and the State Council for the required authority.²³ Thus, it is necessary to scrutinise the millions of bureaucrats that have shaped the system and continue to exercise

power through it daily—especially the incentive structures that shape and constrain their actions. At the same time, it is imperative to dissect the laws and regulations that authorities want to enforce with the SCS.

Maintaining stability (i.e. minimizing protests) and upholding one-party rule are critical objectives for all actors in China's political system. This aim does not merely concern the public security (police) agencies in China but even “seeps” into the agendas of agencies in charge of seemingly unrelated areas, such as social security provision. Authorities closely connect minimum welfare assistance with surveillance initiatives designed to control protests.²⁴ SCS regulations contain similar measures, too, such as those that allow for the inclusion of companies or individuals on special blacklists that illegally withhold wages from migrant workers if it leads to “mass incidents”, i.e. protests.²⁵

MERGING FINANCE, MARKET REGULATION, AND “MORALITY”

To better understand the different mechanisms, it helps to break “social credit” into three dimensions. The first dimension of the SCS relates to the “credit” issues authorities intended to address, corresponding to the main challenges envisioned by its founding figures (Chapter 2). These are credit provision in finance and banking, credit as legal and contractual compliance, and credit as moral trustworthiness.²⁶ This typology is followed by many scholars, including those in China.²⁷ Below, I break down these three facets, in Chinese typically (though in all its mess not consistently) labelled *zhengxin* (征信, credit reporting in the purely financial sense), *xinyong* (信用, credit and trustworthiness in a broad regulatory sense), and *chengxin* (诚信, honesty and integrity in a moral sense) (Fig. 3.1).

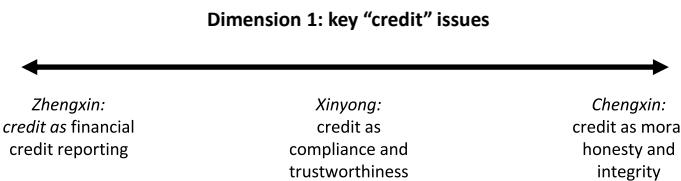


Fig. 3.1 Overview of key “credit” issues of the Social Credit System

Zhengxin: Credit Reporting for Banking and Finance

In 2021, one Chinese citizen found herself embroiled in a credit reporting nightmare. When she unwittingly requested her credit report from a local branch of the PBOC, she was horrified to discover that her report stated she had been a professional sex worker for a decade. She had fallen behind on loan payments due to the ongoing pandemic. In response, a disgruntled account manager at her bank had played an ill-conceived prank on her credit account by altering her employment information. The case caused a stir on social media, not only because of the absurdity of the incident but also because it brought to light the glaring vulnerabilities of the central bank's credit reporting system. Why could private financial institutions edit the employment history of their customers in the first place?²⁸

This example refers to *zhengxin*, credit reporting in the financial sense. The purpose is basically the same as credit reporting institutions worldwide: to assess the ability and likelihood of a person or entity to repay loans. The PBOC refers to it as an “economic identity card”.²⁹ When official documents speak of *zhengxin*, they usually refer to a record of lending and spending. This record can take the form of credit ratings, but it can also be a simple list of transactions and loans. Some of the first credit reporting initiatives have operated since the late 1980s (Chapter 2), and the first major government-backed initiative was started in Shanghai back in 1999 and quickly followed-up on in other areas.³⁰ In March 2006, the PBOC established the Credit Reference Centre (征信中心).³¹ Soon thereafter, it established basic records for 530 million citizens. By 2019, this increased to 990 million.³² The Credit Reference Centre primarily provides an objective overview of this information. Although it has started to offer a “digital interpretation” (score) of these records, this can only be used for finance and does not relate to blacklist mechanisms.³³ In addition, it can license this data to private partners who may offer supplementary evaluation services.³⁴

The practice of credit reporting in China is directly inspired by initiatives such as the FICO score in the United States (US), Schufa in Germany, and the Bureau for Credit Registration in the Netherlands. These collect data on all loans and debts, including buy-now-pay-later or pay-in-instalments payment schemes. For instance, in the Netherlands, all consumer credits of more than EUR 250 are recorded in this. Other financial service providers can request access to this data when evaluating the risks of the loans or services they wish to provide. Such services do

not need to be related to new loans only: in Germany, it is common to have to submit Schufa scores when looking to rent an apartment. More broadly, the so-called “off-label use” of credit reporting is far from uncommon in Europe and Northern America. In some cases in the United States, employers have referenced credit reports when hiring, while insurers reference credit scores to calculate premiums. This practice has exacerbated socio-economic inequality but has nevertheless inspired some SCS designers.³⁵

Xinyong: Credit and Trustworthiness

The second, *xinyong*, is the broadest and most ambiguous of the three. Its literal translation is credit—the “credit” in “social credit”—yet its meaning is far more expansive in practice. According to one high-ranked MOFCOM official, “credit” in European and North-American countries is purely an economic concept. (Although, as noted in the previous chapter, this did not always use to be the case.) But, he emphasises, credit in the Chinese language is also understood as “keeping one’s word and promise, thus gaining the trust of others”.³⁶ Thus, *xinyong* essentially encapsulates both credit reporting and the values of honesty: whether one repays a loan is both a financial transaction and a sign of trustworthiness. In practice, *xinyong* goes one step further: in official discourse, abiding by laws or regulations is framed as a way of keeping one’s word.

The essence of credit is to reference records of past conduct when assessing current or future activities, such as business contracts.³⁷ It is supposed to break information asymmetries and reduce risk. Before the SCS, businesses had little way of knowing if a business partner had the correct permits, was involved in malpractices elsewhere or had the means to fulfil a contract on time. That creates uncertainty, which would be priced into the market. Therefore, businesses and individuals should make better-informed decisions by referring to reputational information. This would reduce transaction costs and streamline China’s market economy.

Chengxin: Honesty and Integrity

For eighteen consecutive years, June has been “prosper by doing business with integrity promotion month” (诚信兴商宣传月) in China.³⁸ Across the country, schools, government agencies, state-owned enterprises, and sometimes even private companies organise events to promote this virtue.

In Zhanjiang (湛江), Guangdong province, a vocational school organised an online contest on “integrity as the lifeblood of life”. Students would be quizzed for thirty minutes and could win prizes like keyrings, USB drives, and a small mobile fan to fend off Guangdong’s immense seasonal heat.³⁹ Ten commodity stores in Guilin (桂林) in neighbouring Guangxi province were awarded the honorary “Home of Integrity” title for their exemplary behaviour.⁴⁰ In Beijing, 150 companies, including tech giants JD and Suning, pledged an initiative underscoring that “one cannot stand up without trust, a business cannot prosper without trust, a home and country without trust must wane. Integrity is the beacon of life”.⁴¹

These are examples of the third “credit” issue: *chengxin*—best translated as integrity, honesty, or sincerity. One central goal of the SCS is to create a culture of trustworthiness and integrity in China in response to perceived moral decay. Hence, *chengxin* essentially refers to a moral publicity campaign. Already in the earliest scholarly plans for the system, the promotion of integrity featured prominently, with a key role in propaganda and education.⁴² This aim has been taken up in policy documents too. For instance, the 2014 *Planning Outline for the Construction of a Social Credit System* introduces the SCS’ purpose as “to increase the entire society’s awareness of integrity (*chengxin*) and credit (*xinyong*) level”—in that order. It also presents integrity as a “traditional virtue”.⁴³

Moreover, integrity is also one of the sixteen socialist core values (社会主义核心价值观) put forward under Xi. Incorporating moral values into the SCS means the system is not merely an economic initiative but aims to promote a specific set of values. Indeed, the *Planning Outline* calls for the development of activities such as an “integrity activities week” and an “integrity in business publicity week”.⁴⁴ Since such values, in the end, remain defined by the political actors that (re)produce them, the SCS cannot be seen separately from the political agenda of the current Xi administration. However, *chengxin*-oriented elements rarely have teeth. That is to say, there are no penalties for violations of such soft norms under the SCS.

Ultimately, the borders between “credit” domains are not absolute and regularly overlap, albeit rather arbitrarily. Some early SCS documents refer not to the Social Credit System but to the “Social Integrity (*chengxin*) System”,⁴⁵ highlighting the fluidity of the initiatives. Other official coverage refers to blood donations in the context of the “Social Credit Reporting (*zhengxin*) System”, even though this term is typically

only reserved for financial mechanisms.⁴⁶ These arbitrary boundaries only further add to the confusion.

TRUST EVERYWHERE, IN EVERYONE, AND EVERYTHING

Next, as the second dimension, come the reform targets under the system. As first introduced in 2011⁴⁷ and reiterated in the 2014 *Planning Outline*, authorities typically divide the system into four “pillars”: integrity (*chengxin*) in government affairs, integrity in commerce, societal integrity, and credibility for the judiciary (司法公信)—in that order. Under these pillars and under the broad pretext of “social credit”, several different reform priorities have been initiated (Fig. 3.2).

Government Affairs

Reform in government affairs primarily refers to optimising China’s bureaucratic apparatus to serve the market while improving supervisory capacities. The government must provide better services to companies and individuals, open more government information to the public, hold officials accountable more, and improve the government’s capability to govern more generally. Building data-sharing systems between government agencies is equally part of this overarching priority.

The PRC government frames many of these buzzwordy initiatives in ways akin to good governance, although it does not use that precise term. It presents the system as a way to reduce red tape for “trustworthy” businesses and individuals while cracking down on a smaller group. Some measures may have a positive impact, yet authorities’ motives certainly are not exclusively altruistic. What is convenient for citizens is equally convenient for the government. Streamlining processes means less manual work, saving time and money long-term.



Fig. 3.2 The key reform areas of the Social Credit System

Indeed, the many calls for transparency have proven “two-faced”. While regulations prescribe authorities should disclose all information vital to citizens, a significant number of exemptions prevent the disclosure of any information that harms “public security, economic security, and social stability”.⁴⁸ Other researchers have found that around fifty per cent of policy documents issued by the Central Committee remain invisible to the public, in contrast to only ten to fifteen per cent for the State Council on the state side.⁴⁹ For China’s authorities, transparency is a means to an end, i.e. a well-functioning and predictable economic environment, not an end by itself. Political imperatives can always overrule good governance practices.

The *Planning Outline* also contains myriad clauses intended to improve central oversight over local agencies, such as budgetary control, borrowing, and statistics reporting. Central oversight enhances the power of central authorities vis-à-vis their local counterparts. Such reforms bring a couple of sticks with them to enforce compliance, such as including metrics on “integrity” in cadre performance evaluations. News reports in China have also proven eager to report local governments receiving SCS-related penalties. Thus far, at least five hundred local governments have received penalties for failing to pay back loans or fulfil other payment obligations.⁵⁰ In these cases, the local leaders will also be subject to penalties.

Although such penalties are far less common than those directed at companies or individual citizens, the consequence is that the system’s introduction has to contend with deeply entrenched political interests, working habits, and objectives. Hence, there is potential for conflicts of interest in the roll-out of the system, which will be a central theme in the coming chapters.

Commerce and Businesses

The market economy and businesses are the actual focal area of the SCS. Although governments, the judiciary, and individuals function as separate pillars, their inclusion is typically related to activities that concern the economic domain. For instance, the SCS-related reforms in government affairs described above all aim to improve the general business environment and regulatory capabilities in this field. Similarly, the inclusion of individuals primarily pertains to their capacity as economic actors, such as

their borrowing and payment activities. Some back-of-the-envelope calculations reveal that companies take up most space in PRC policy documents of these four pillars: 73.3%, compared with only 13.3% for government entities and 10.3% for individuals.⁵¹

Where companies are concerned, the SCS has the twofold aim of ensuring that companies behave with integrity, i.e. comply with the law and perform on contracts as promised, while giving companies the means to assess the reputation of others. To achieve these aims, reforms in this area primarily include penalties for misconduct, better tools to supervise companies and detect violations, and cross-government and government-to-public information sharing. Special attention is devoted to issues such as food and medicine safety, product quality, and evasion of debt—issues that garnered a lot of attention from citizens and led to a crisis of trust (Chapter 2).

Societal Trustworthiness or Individuals

Although the main focus of the SCS is on companies, authorities also intend to target and mobilise individuals and society. The open door reason for this is that individuals also function as market actors when they take out consumer loans, apply for professional qualifications, or serve as CEO of a company. China's authorities want to target companies that misbehave and the individuals behind severe violations. This aim echoes the public sentiment in the United States and Europe during the 2007 global financial crisis when banks went bankrupt while the bankers could get out unscathed with millions of dollars' worth of bonuses. Hence, SCS provisions allow for blacklisting the key personnel behind a violation, not just the company. The second reason, more particular to China's environment, is that authorities framed socio-economic issues as symptomatic of “moral decay” (Chapter 2). Therefore, authorities saw the SCS as a valuable tool to improve “morality” in the country.

There are three typical initiatives under the SCS banner related to individuals. The first is credit reporting in the financial sense (*zhengxin*), which provides a reference on citizens' borrowing and repayment capacity. The second initiative covers penalties for misconduct in the economic domain (*xinyong*), not unlike those for companies. The third initiative is a trustworthiness publicity campaign or different initiatives to show the importance of integrity (*chengxin*). Such campaigns include propaganda in newspapers and on social media, but also “loyalty reward programmes”

by tech companies giving citizens small perks and rewards for compliance with regulations and volunteering work. Chapters 5 (redlists) and 7 (scoring) will discuss these in more detail.

Credibility for the Judiciary

Credibility for the judiciary is the fourth and final element of reforms under the SCS. The most noteworthy aspect is the enforcement of court cases. In 2013, the SPC formalised a nation-wide blacklist of citizens and companies that refuse to comply with court orders (typically an enforcement order to repay a loan or pay a fine), despite having the ability to do so (Chapter 5). Today, this remains one of the judiciary's most potent enforcement tools, having recovered tens of trillions of RMB in fines and repayments from debtors.⁵² Supplementing the implementation of this blacklist is a series of measures to standardise information disclosure on such cases to the public and use digital tools to further streamline and standardise court procedures. Together, these measures aim to improve the court's enforcement capabilities and signal this to citizens, thereby enhancing overall levels of trust.

THE RELATIONSHIP BETWEEN THE MARKET AND GOVERNMENT UNDER THE SCS

Although this book will primarily discuss the SCS from the perspective of government-run initiatives, its founding figures never intended the system would be wholly developed and implemented by the government. Instead, plans envisioned a significant role for private credit reporting agencies and industry associations—and continue to do so. Such plans are not surprising: most credit evaluation agencies in Europe and the United States are private companies. These inspired scholars and policymakers, and they theorised the SCS would incorporate both public credit information (公共信用信息) and market credit information (市场信用信息). As the names suggest, public credit information is supplied by the government, and market credit information is provided by market institutions such as industry associations or financial credit assessment companies. The government-market relationship is the final dimension of the system (Fig. 3.3).

Although this vision has remained unchanged since the system's intellectual inception in 1999, the government has formulated a few concrete

Dimension 3: actors



<p><i>The government:</i></p> <p>Create the basic regulatory environment, information systems, and blacklists; implement joint-reward-and-punishments</p>	<p><i>Private companies and industry associations:</i></p> <p>Develop innovative systems to facilitate finance, reward exemplary compliance and participate in the restriction of the “distrusted”</p>
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Fig. 3.3 Actors in the Social Credit System

measures to clarify the relationship between government and market-operated aspects. This indecision is even reflected in the system's naming, as experts had first called it the “National Credit Management System” (Chapter 2), not the SCS. According to one of the intellectual founding figures of the SCS, Lin Junyue, the eventual change to the SCS was to emphasise that the system was to become a non-governmental system.⁵³ In other words, it was supposed to be operated primarily by industry associations, credit reporting agencies, and similar organisations.

Market Credit Information

Government agencies have long sought to encourage the market to take an active role in establishing elements of the SCS. In the system's early years, this was primarily in the form of private credit reporting (*zhengxin*) companies that were supposed to provide credit evaluations for banks and other financial service providers. These would operate separately from the government: the government did not have the power to influence these credit assessments.⁵⁴ In 2014, the *Planning Outline* encouraged industry associations (these are quasi-governmental entities in China) to formulate standards for self-discipline and self-supervision, to develop third-party assessments, and called upon all market entities to utilise credit information in their operations.⁵⁵ In 2016, the State Council encouraged market entities to provide differentiated services to seriously untrustworthy (严重失信) individuals and preferential treatment to those with outstanding credit records.⁵⁶

The most well-known example of market credit information is Ant Financial's Sesame Credit (芝麻信用), a daughter company of tech giant

Alibaba. In 2015, the PBOC announced the designation of eight—primarily tech-oriented—companies to pilot personal credit reporting (*zhengxin*) mechanisms.⁵⁷ Sesame Credit was among these eight: an opt-in credit scoring initiative that could assess users' creditworthiness even if they lacked formal credit history. Therefore, it did not only include industry-standard metrics like income level and current debts. It also assessed users' purchasing preferences and spending stability, whether they showed up for hotel bookings and parked shared bikes in the right places, and even the people's credit scores in their network. In an interview, Ant Financial's tech director suggested that people playing too many games could be seen as less trustworthy, though there is no evidence this was ever implemented.⁵⁸

When Sesame Credit was just released, it sparked speculation that it would turn into *the SCS* and become mandatory for everyone by 2020. Although the PBOC approved the pilots and linked them to the overarching objective of constructing the SCS, the PBOC formally designated the eight pilots as credit reporting (*zhengxin*) projects, meaning they had little relation to the other facets of the system.

Authorities may or may not have officially considered integration within the financial domain, but in any case, this never materialised. Sesame Credit did not prove to be an effective credit assessment vehicle. The link between the different data it collected and one's ability to repay loans was never scientifically proven. Instead, it became a loyalty programme that rewarded users for using Alibaba services and shopping in its stores. As Alibaba acted as banker providing the loans, assessor of borrowing capacity, and as the marketplace where the loaned money would be spent at the same time, this was clearly a conflict of interest. Due to these problems, the PBOC decided in 2018 not to extend the credit licenses of the eight companies. Other companies' initiatives were even more egregious, and the PBOC even shut down tech giant Tencent's initiative only one day after it went into broader operation.

Instead, the PBOC founded a new credit scoring bureau called Baihang (百行征信) and indirectly remains a significant stake in its development.⁵⁹ It has also repeatedly pressured Chinese tech companies to share credit-relevant data with this new initiative, ranging from shopping records to travel history. However, they have vigorously resisted these attempts, even if only to limited success, as data pooling would inevitably break their oligopoly on credit data. Baihang would feed the analysed data to

commercial banks for a fee, but so far has not proven successful due to its high fees.⁶⁰

Sesame Credit continues as a loyalty rewards programme on Alibaba's platform but fulfils no meaningful role beyond that. From the state's perspective, this toned-down version may still help normalise "credit-worthiness" discourse and popularise "trustworthiness". For instance, a recent music video released by the Communist Youth League—an organisation under the CCP—used images of tech innovations affiliated with initiatives like Sesame Credit, like smart self-check-out stores and shared bikes, to show off the benefits of "doing as you say".⁶¹

Other than these initiatives, the development of market credit information is primarily delegated to credit reporting industries and industry associations. These provide assessments specific to their field that can be shared with or purchased by other market actors to use as reference. This way, they can assess the risk associated with loans, contracts or business cooperation, financial or otherwise. But there is also a more unique "warning list" by the China Association of Performing Arts, including idols involved in drug incidents, surrogacy scandals, or photos taken at a Japanese shrine that memorises war criminals.⁶²

The government is not supposed to use market credit information as a basis for penalties—only violations of laws and regulations can form the basis for penalties.⁶³ Instead, agencies are actively encouraged to use market credit information in different supervisory duties. Companies, on their part, are encouraged to refer to market credit information when making business decisions.⁶⁴ This process is what the government refers to as market self-discipline. Yet, the processes that govern this usage remain opaque.⁶⁵ There is no specific regulation, compared to multiple national and provincial regulations for public credit information. Many questions remain, such as whether information sharing by semi-governmental industry associations should be considered a penalty and therefore be subject to administrative law. Nevertheless, multiple government agencies have made plans to integrate public and market credit information.⁶⁶ If successful, it may put the SCS in tension with the law as unverified data makes it into the system without the oversight of legal processes.

Public Credit Information

In contrast with market credit information, public credit information is increasingly well-defined, and its scope and purpose are restricted by laws and regulations—though this did not always use to be the case. In January 2022, the NDRC released the first *Basic National Directory of Public Credit Information*, which formally outlines all information that can be collected and shared under the banner of public credit information.⁶⁷ According to this document, public credit information comprises all credit-relevant data that government agencies collect in their daily work. In practice, this includes a broad range of information on administrative permits and penalties—the so-called “double publicity” (双公示) information—basic information on individuals and companies, professional accreditations, market supervisory reports, and information on blacklists and redlists. Figure 3.4 displays a simplified model of this information.⁶⁸

Suffice it to say, this remains an extensive set of data, although the directory also outlines controversial types of information that authorities cannot collect under the SCS. Such excluded data responds directly to public controversies in recent years, which Chapters 4 to 6 will discuss in more detail. The excluded types of information particularly relate to minor transgressions of soft norms (such as how to raise your dog) or minor violations of administrative regulations (such as jaywalking or separating your rubbish the wrong way). In this sense, it also makes clear that the highly subjective and arbitrary indicators used by Sesame Credit do

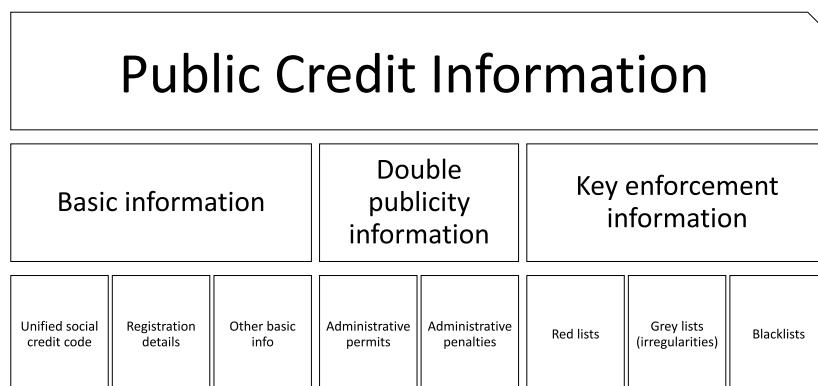


Fig. 3.4 Basic overview of public credit information

not belong to the SCS. Moreover, it refers to the legally effective document to provide the legal basis for each piece of information to include (even if these do not entirely eliminate ambiguity).

Keeping files—even if fully analogue—on citizens and companies has a long history in China (but also beyond). Imperial administrations in pre-modern China kept extensive logs on officials in their imperial personnel archives on its officials, which also reported on their performance, their received rewards and punishments, and morality.⁶⁹ Later, the CCP developed the *Dang'an* (档案) system, which expanded the scope of these records to average citizens. The *Dang'an* recorded personal dossiers with basic personal details (name, sex, age, and family), employment and education history (including subjective assessments by teachers or superiors), assessments on ideological orientation, self-criticisms, and much more.⁷⁰ Although many governments worldwide keep detailed records on citizens, the *Dang'an* system was particularly unique in the depth of subjective, political assessments that went into them. This turned it into a powerful tool for political control.

Public credit information, to a certain extent, is a modern adaptation of the *Dang'an* files. In fact, one of the most recent guiding documents from 2022 refers to establishing an all-encompassing “Credit *Dang'an*”.⁷¹ This record, however, strictly refers to economic activities and legal compliance rather than political alignment. Another difference is that the government wants these records at least partially available online for other market actors to refer to—rather than locked away in dusty file cabinets across China. The aim is that businesses can assess the “creditworthiness” (or “trustworthiness”) of their partners: Businesses need to be able to evaluate the likelihood that someone will break a contract or fail to repay a loan. Reports by PRC research institutes make clear that this objective directly draws from the practice of credit reporting in advanced market economies but also that this is where the SCS lags behind the most.⁷²

As noted earlier, there is a formal link between public credit information for individuals and companies. For instance, company information always includes information on a company’s chief representatives and leadership. Similarly, if authorities blacklist a company, the penalties will also apply to the company’s leadership and the staff directly responsible for the violation. The underlying vision is to allow parties to assess whether, for instance, a new company’s chairperson has been involved in previous scandals or to prevent those responsible for violations from

simply starting a new company and committing the same offence all over again.

There are three central platforms publishing this information (Table 3.1). Credit China forms the backbone for all types of information but also shares all new policy releases, commentaries, practical guides, and more. Second, China's courts have systems for the specific *Judgment defaulter blacklist* (discussed separately in Chapter 5). Lastly, the National Enterprise Credit Information Publicity System (NECIPS) fulfils a similar role to Credit China, particularly for the lookup of company data. Crucially, NECIPS also sells its data to third-party platforms such as Qichacha (企查查) or Baidu's Aiqicha (爱企查). They provide detailed company lookups, risk assessments, overviews of all registered intellectual property, shareholder mappings, and other services that are otherwise not part of public credit systems. In addition to these three national platforms, ministries typically have their own credit sub-portals, which are not always interoperable with each other.

IT'S MESSY

Social credit brings together dozens, if not hundreds, of different ambitions under one umbrella. For the first dimension, there are three distinct types of “credit” covered under the system: credit reporting, credit in the sense of market regulation and compliance, and credit as moral integrity. As the second dimension, there are four target areas: government affairs, the economy and businesses, individuals, and the judiciary. The third dimension differentiates between government-run and privately operated initiatives. Table 3.2 summarises and recaps the main government-operated domains, highlighting the system’s complexity. Table 3.3 does the same for initiatives by private enterprises and industry associations.

Yet this does not imply some brilliant master plan. Instead, it implies a complex, dynamic system of systems with many competing entities and interests. The SCS regularly confuses even the thousands of bureaucrats implementing the system. Many have repeatedly lamented vague goals and unclear concepts. It is a conflation that developed over time because of ambiguous goals and different bureaucratic interests. The inherent vagueness of “social credit” made the system flexible, meaning it could almost become anything.

Table 3.1 Overview of main public social credit interfaces

<i>Interface</i>	<i>Description</i>
Credit China (信用中国)	The main interface of the SCS. It links all other portals together. Includes details on all active regulations, lookup of companies, and practical guides. Credit China has local equivalents for almost all administrative subdivisions in China
National Enterprise Credit Information Publicity System (国家企业信用信息公示系统)	Provides lookup on all public credit information on companies. Third parties can also acquire data from NECIPS; the most well-known partners include Qichacha and Aiqicha. The NECIPS has local equivalents at the provincial level
Supreme People's Court judgement defaulter blacklist portal (最高人民法院失信被执行人名单)	Provides lookup of citizens and legal persons that refuse to comply with court judgements and rulings. It also shares this information with NECIPS and Credit China
Ministry level sub-portals	Different ministries have their sub-portals that provide data lookup. They typically share data with Credit China and NECIPS, but sharing quality and frequency may be spotty

The SCS is not stuck in time. It has undergone three distinct phases, from its earliest development in the early 2000s to widespread experimentation since 2014—the focus of the next chapter—and to the greater concerns for legal safeguards and restraint of power we see today (Chapter 6). These distinct phases offer a unique picture of the policymaking process in China. Even more so, a good look at the history will also inform us where the system will go next, the principal areas of contention, and how international debates can contribute to a well-informed and effective response.

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Table 3.2 Examples of different reform areas covered under the social credit policy umbrella (government)

	<i>Government affairs</i>	<i>Economy and businesses</i>	<i>Individuals</i>	<i>Judiciary</i>
Zhengxin: <i>credit reporting</i>	Local government lending	Credit reporting initiatives for companies like the Credit Reference Centre	Credit reporting initiatives for individuals	SPC judgement defaulter blacklist for fraud, debt evasion, etc.
Xinyong: <i>credit regulation</i>	Reforms to regulatory and supervisory processes, information-sharing systems, green channels, etc	Corporate legal, regulatory, and contractual compliance	Personal legal, regulatory, and contractual compliance	
Chengxin: <i>integrity</i>	Inclusion of “integrity” metrics in performance assessments	Integrity training for companies	Integrity promotion; “trustworthiness” education, local scoring initiatives	Inclusion of “integrity” metrics in performance assessments

Table 3.3 Examples of different reform areas covered under the social credit policy umbrella (market entities)

	<i>Government affairs</i>	<i>Economy and businesses</i>	<i>Individuals</i>
Zhengxin: <i>credit reporting</i>		Credit reporting industries	Credit reporting industries and public-private partnerships like Baihang
Xinyong: <i>credit regulation</i>	Data sharing initiatives between Credit China/NECIPS and third-party portals	Information sharing of distrusted enterprises by industry associations	Warning lists by industry associations like the Association of Performing Arts on untrustworthy individuals
Chengxin: <i>integrity</i>		Sectoral activities for integrity-promotion, credit training	Loyalty rewards programmes like Sesame Credit, deposit-free use of shared bikes

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CHAPTER 4

Limitless Expansion, Fragmented Development: A Policy History of the Social Credit System (2002–2020)

SETTING SAIL

In 2002, the CCP's 16th Party Congress—China's highest political forum held only every five years—formally announced the construction of the Social Credit System. The past years had seen some initial experiments and foundational research, and now the real work had to start. As they decided to establish the SCS, the central government still had little clue about what the system was supposed to be like in practice.¹ Instead, local governments took the lead, developing pilot initiatives that could guide the way for the country.

This approach followed the PRC's preferred policymaking procedure for socio-economic policy: experimentation under central guidance. Leaders formulate abstract requirements or targets and designate a few pilot zones. These have great flexibility to come up with creative ideas and test these out in practice. Top-level leaders shy away from drafting any formal policy, but they use informal networks and site visits to affirm the direction of pilots or suggest other approaches. After pilots have made progress, leaders are in charge of distilling lessons they can apply more broadly. Afterwards, they apply them to a broader group of cities or regions, while models that serve as blueprints for the other areas may be selected. Only once development has been solidified do central-level leaders start to draft formal policies, laws, and regulations.² Even when

fully effective, this process is inherently messy and earmarked by forks in the road and constant negotiation and re-negotiation.

A look back at this process for the SCS helps better understand why things today are the way they are but also provides valuable clues to assess the system's future. Regrettably, few analysts have given the system's history the attention it deserves. A shocking number of reputed scholars, even in peer-reviewed papers, have erroneously asserted that the system was "first announced" in 2014³ and was supposed to be "fully operational by 2020".⁴ Many others do not openly acknowledge any pre-2014 history, despite the overwhelming evidence to the contrary. That is a missed opportunity.

Hence, this chapter chronicles the history of the SCS, analysing how policy and implementation have evolved overtime. It argues that the already-vague nature of social credit (Chapter 3) led to an even more complicated implementation process. From the get-go, authorities struggled to make ambitions come to life. The experimentalist approach to policymaking worked well for relatively straightforward goals but quickly ran into issues with a cross-regional and cross-departmental initiative like the SCS. When central authorities finally managed to kick development into a higher gear, fragmentation became a near-debilitating problem. Fragmentation, in turn, created space for the over implementation and abuse of SCS-related mechanisms.

EXPERIMENTATION TURNS INTO DISORIENTATION

The first concrete experiments with the SCS started in China's more economically developed regions. The State Council outlined in 2003 that it should take five years to construct the basic framework and operational mechanisms for the SCS.⁵ It announced the pilots under the slogan "government promotion, unified planning, market operation, and step-by-step implementation".⁶ This slogan reflects the long-standing idea that the government was supposed to promote the construction of the SCS while the market was ultimately in charge.

In the system's early days, the National Leading Small Group (LSG) on Rectifying and Regulating the Order of the Market Economy (全国整顿和规范市场经济秩序工作领导小组) acted as coordinator. This LSG aimed to function as a missing joint connecting otherwise separate Party and State units working on the same issue area.⁷ However, coordination did not wholly succeed. Although they started work on foundational

plans like the *Planning Outline for the Establishment of the Social Credit System*,⁸ it would take a whopping eleven years to formally issue this.

Nevertheless, local governments followed the five-year timeline and roughly formulated the following goals⁹:

1. Establishment of relevant (local) legislation to provide the legal backbone and safeguards to the system. Legislation featured on top of most provincial plans.
2. Establishment of information-sharing platforms for credit information, credit evaluation, and financial credit records.
3. Establishment of three major credit systems, covering governments, companies, and individuals.

In many cities, efforts started within their government, putting “governmental credit” (政府信用) on top of their work objectives.¹⁰ Taiyuan’s municipal government described this as a “transformation from a management-oriented government to a business-oriented government”: to regulate more effectively and reduce the burden on businesses.¹¹ This aim remains central today in the most common policy slogans—a fixed staple in China’s formulaic policy discourse used to summarise objectives—to describe the system. These include “green channels” (绿色通道), to allow handling administrative processes even if documents are incomplete (容缺受理), and “handling [everything] on one network” (一网通办).¹² Digital convenience is equally digital convenience for the government, as Chapter 3 already noted.

The focus of all of these initiatives was on economic activity. Individuals were primarily covered in their professional capacity or in the context of existing legal obligations (think of laws and regulations, taxes and customs fees, contracts, etc.). For instance, a document from Jiangsu province describes that data related to individuals covers companies’ legal representatives, key management personnel, and anyone involved in the provision of public goods or those with state qualifications.¹³ Another document from the city of Chongqing discussed the following data as part of personal credit: (A) basic personal information such as one’s real name and marital status; (B) financial data such as loans and repayment records; (C) one’s work unit (工作单位), fulfilment of contracts, and information on tax and social insurance payments; and (D) records such as civil and

legal litigation, tax evasion, and fraud insofar related to “credit” (which the plan did not further define).¹⁴

In these five years, localities managed to construct rudimentary data systems. The provincial authorities of Zhejiang entered 800,000 enterprises into its corporate credit inquiry system. By 2008, China’s tech-entrepreneur capital Shenzhen integrated data on 970,000 market entities and collected 34 million pieces of credit information. Shanghai created an information system covering (financial) credit records of 8.2 million residents. Despite these first achievements, domestic scholars made clear that the construction of the SCS was still in the initial exploratory stage.¹⁵

Although the general goals were consistent across the board, the broad notion of “trustworthiness” tying different initiatives together proved open to interpretation. Failure to repay a loan could be taken as a sign of untrustworthiness, and so could noncompliance with laws and regulations. But should the SCS enforce all laws and regulations or just a few related to finance and banking? When in 2004, food safety scandals shook China’s society, authorities quickly realised the value of their newly found tool. Like the issue of fake merchandise that gave rise to the SCS, authorities would frame food safety violations as “untrustworthiness” (失信), warranting punishment. Thus, the first regulations extending SCS mechanisms to food and drug safety were born.¹⁶

Although initiatives were rapidly diverging, authorities continued to use the same vocabulary to describe completely different elements of the SCS. For instance, Chongqing’s local SCS plan in 2003 referred to “personal credit information” (个人信用信息) as regulatory information gathered by departments of industry and commerce, taxation, labour security, customs, and the courts.¹⁷ Two years later, the PBOC formally defined the same concept as purely financial, covering financial transactions such as loans, credit cards, and other financial services provided by commercial banks.¹⁸ As late as 2020, a local government official lamented to researchers: “What is the definition of ‘credit’ or ‘integrity’? I really can’t figure it out. Is it possible that you scholars can tell me?”.¹⁹

This issue quickly led to a bifurcation between the financial and non-financial aspects of the SCS. Led by the PBOC and with a relatively straightforward goal, the field of credit reporting progressed relatively rapidly. By 2006, the PBOC’s first databases for financial information had been formally launched and started operation.²⁰ That same year, it also began trialling systems to specifically assist the provision of loans to small and medium enterprises.²¹ Other aspects, such as those dealing

with reforms to market regulation or government digitisation, saw some progress too, but development was noticeably more slowly and messy.

Despite the initial enthusiasm of provinces and cities, most of their central goals were not met, especially in those non-financial aspects of the system. One of the most-cited analyses from this period in China essentially described the government's efforts towards the SCS as a mess: each department effectively did its own thing, leaving people and officials alike at a loss of what to do; the courts still had no power to enforce its rulings; the government still could not formulate relevant regulations; and penalty mechanisms were still ineffective.²² In 2011 former Premier Wen Jiabao indicated that "the current problem of a lack of social integrity is still quite prominent", stating that fraud, production and sale of counterfeit products, academic misconduct, and more were still prominent.²³ Wen once again reiterated essential tasks: accelerate the establishment of relevant legislation and promote the role of market entities in development. Such requirements were originally due for completion in 2007, but the premier's statement indicated they were far from complete.

Moreover, the pace of development appeared to slow down after 2008, right after the first five-year planning period ended. Figure 4.1 shows the number of documents on the SCS released each year from 2000 to 2022, highlighting stagnation after 2008. A lack of central guidance appears to be a key reason for the slowdown. After the initial calls to construct the system in 2002, only one top-level guiding document was released until 2014 (in 2007). The first five-year planning period had ended, but there was no guidance on the next steps forward.

China's familiar post-reform policymaking process was running into its limits. Experimentation under guidance was great for economic development, fostering the proliferation of different developmental concepts with minimal risk, and permitting changes to suit the local context.²⁴ For a complex initiative like the SCS, it became a limiting factor. Digitisation initiatives inherently require standardisation and unified procedures: if each city uses different standards, it will be impossible to connect them. Fragmentation is a problem since part of the SCS' ambition was to prevent cross-region violations of laws and regulations. A National Working Group on Credit Standardisation (全国信用标准化工作组) had been formed in 2008, but their outputs remained "recommendations" that authorities across China did not always follow.²⁵

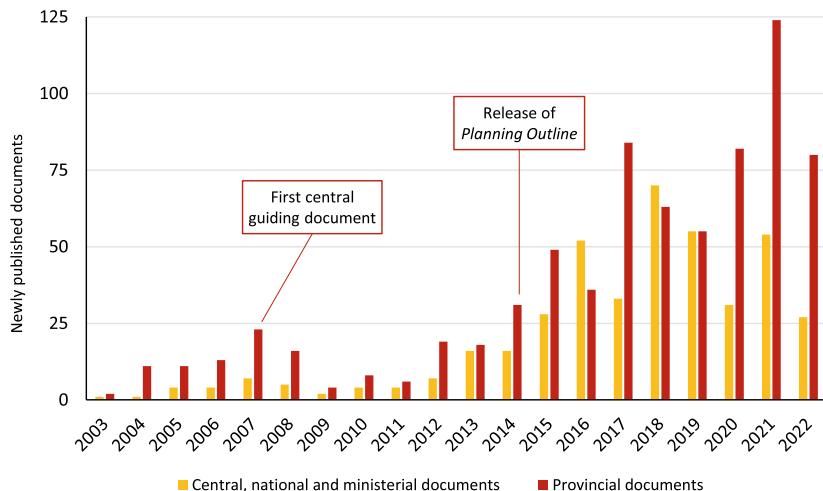


Fig. 4.1 Annual number of published Social Credit policies, categorised by administrative level of the issuing agency

Local governments also indicated that they lacked authority to make progress in other areas, such as where the protection of state or business secrets and personal information is concerned. Here, they needed centralised laws and regulations to provide a legal basis. For instance, it is nigh impossible to run a complex economy if every region has different privacy regulations. Without more targeted guidance, the system could not achieve the goals it targeted. The need for guidance was why some State Council officials as early as 2002 had suggested one of the core tasks would be to quickly draft relevant regulations and legislation.²⁶

As Fig. 4.1 again illustrates, the pace of development started picking up again by 2012 and has increased ever since. In that year, the State Council kicked new life into the Inter-Ministerial Joint Conference on the Establishment of the SCS, initially established in 2007 to replace the aforementioned LSG on Rectifying the Market Order as the lead agency on the SCS.²⁷ This joint conference followed a common practice in PRC policymaking to set up cross-agency or cross-departmental leading groups and other coordinating bodies, to streamline cooperation and coordination throughout. Now the NDRC formally requested the State Council for instructions to adjust the group. Coordination between agencies had

been challenging, and all the while, central guidance was becoming a necessity. The leading bodies working on the development of the SCS worked in different bureaucratic silos, making coordination even within single cities a cumbersome task.

In response, the State Council upgraded the status of the group. First, the NDRC joined the PBOC as joint head of the conference, a hint at the coordination issues between the financial and non-financial aspects of the system. The PBOC's role was strictly financial, while the NDRC has a broader remit as China's chief economic planner. Furthermore, the change gave the group more political capital. For instance, the respective heads of the NDRC and PBOC now acted as conveners of the conference. Before, their deputies had been the highest-ranking members of the joint conference. The group also broadened in scope, now including members from 35 departments (up from 15).

The objective of the rejuvenated and renovated joint conference became to “unify understanding”, “study the issues surrounding the construction of the SCS”, “strengthen communication and information sharing”, and “to do a good job on work related to the construction of the SCS” overall. These objectives are a tacit acknowledgement that understanding to date had *not* been unified.²⁸ The expansion was a precursor to a more wide-ranging social credit plan: the *Planning Outline*—one in the works since 2003. That would be the milestone needed to kick the development of the SCS in a higher gear.

Although development was fragmented, authorities achieved two major regulatory milestones in this first phase. The credit reporting industry continued to progress quickly. In 2008, the PBOC's Credit Reference Centre had collected credit records for nearly 15 million companies and 640 million citizens, of which 140 million had records on credit loans (i.e. loans that do not require collateral, in contrast with mortgages). In 2012, a cornerstone regulation in that sector was released, outlining basic license requirements for a credit reporting company, requirements for personal information processing, legal liability, and complaint mechanisms.²⁹ By the mid-2010s, scholars assessed this aspect of the SCS as practically complete.³⁰ Progress in this field would continue, and by the end of 2020, the PBOC had collected financial records on 1.1 billion citizens and 60 million companies.³¹ In 2022, the PBOC patted itself on the back, noting the World Bank's *Doing Business Report* had assigned China's (financial) credit information system of the highest mark for five consecutive years.³²

One year later, in 2013, the SPC launched another cornerstone regulation formalising the *judgement defaulter blacklist*.³³ This list, discussed in more detail in Chapter 5, includes individuals and legal representatives who are subject to court enforcement, typically involving rulings regarding contracts and loans, and refuse to implement the terms of their judgement—despite having the ability to do so.³⁴

It is no coincidence that these were the first major regulatory milestones. Both the regulations on the credit reporting industry and the judgement defaulter blacklist were relatively precise in scope and ambitions. Moreover, both had one clear-cut lead agency. For credit reporting, the PBOC was squarely in charge. For the enforcement of the SPC blacklist, no other agencies than the SPC and its local courts were involved.

Furthermore, the purpose of both initiatives was clear: to regulate reporting and to provide an enforcement mechanism for court judgements, respectively. These were much less ambiguous and complex than, say, improving society's overall “integrity level” or establishing a nationwide, cross-departmental, and integrated data-sharing system for all facets of economic regulation. Authorities did release a few sectoral regulations in these domains.³⁵ Still, it was not until the release of the *Planning Outline* in 2014 that the SCS started appearing in nearly every aspect of China's market economy.

ENTER PHASE TWO: THE PLANNING OUTLINE KICKS DEVELOPMENT INTO FIFTH GEAR

Thus far, the development of the SCS had not yet been a resounding success. The State Council itself summarised that “a social atmosphere in which agreements are honoured has not yet been shaped”.³⁶ From 1999's proposals to the release of the *Planning Outline* in 2014, the SCS made significantly less progress than it had hoped. The objectives outlined in many of the earliest provincial plans remained unfinished, while the central leadership lamented many of the SCS' target areas remained plagued by misconduct. In 2014, the State Council sent a clear message it wanted things to change soon with the *Planning Outline for the Construction of a Social Credit System (2014–2020)*.

In the popular imagination, the SCS only emerges after the release of the *Planning Outline*. But as the previous section has shown, its release was only a logical milestone after over a decade of development. The first

blacklists were already in operation, and authorities had released dozens—if not hundreds—of official documents. The plan itself had been in the works for over a decade. Although many observers overstate its significance by mistaking it as the system’s founding document, the *Planning Outline* remains a significant milestone. The remainder of this chapter chronicles how authorities turned the plan into action throughout China and the fundamental issues that arose.

It heralded the start of a new, second phase. Before 2014, the only top-level guiding document was from 2007 and remained short on detail. Afterwards, the State Council would release new guiding opinions practically annually. In 2014 alone, the State Council’s Standing Committee—China’s top organ headed by the premier (at that time Li Keqiang)—discussed the development of the SCS in at least eight meetings. Many more would follow in the years after that. After taking power, Xi Jinping himself also took an interest in the system. A variety of top-level planning documents related to the SCS were formally deliberated and passed by the Central Commission for Comprehensively Deepening Reform (中央全面深化改革委员会), a commission led by Xi that functions as a control room and accelerator for high-priority policies.³⁷ This process indicates that China’s top leadership attached great importance to the system’s development and attempted to shape its pace and direction. Now, it suddenly enjoyed the political capital it so urgently needed.

The *Planning Outline*’s formal expiration date of 2020 by no means implied that the SCS was supposed to be “complete”. Instead, it set itself five basic goals to be achieved by this date: the joint reward and punishment mechanism was to be fully effective (whatever that means); a basic credit investigation that covers the entire society was to be established; credit oversight mechanisms would be set up, the credit service markets should be performing well (whatever types of credit these referred to); and the fundamental laws, regulations, and standards on social credit should be established. These goals left implicit that development would continue well into the next decade, even if authorities were to attain all goals. The plan also did not mention social credit scoring, big data, and AI anywhere in this plan.

Although the document primarily focused on economic activities in the four reform areas of government affairs, commerce, societal integrity, and credibility of the judiciary (Chapter 3), “credit” had already become a bloated concept. For instance, it prescribes teachers, students, and parents must have integrity. This essentially means that teachers, parents, and

children are supposed to obey the national education curriculum, should not cheat on exams, and should not discuss items in class that could be considered politically sensitive.

The repressive potential of this quickly came to the forefront in minority areas where the state is overhauling the education curriculum to put more emphasis on the standardised Mandarin dialect. Formally this is to improve employment prospects for graduates. While this may be genuinely the case, it can lead to the extinction of minority languages as they become relegated to fields of literature and cultural performances only.³⁸ When parents in one county in the province of Inner Mongolia protested this change and withdrew their children from official schools, local officials threatened to blacklist parents for “untrustworthy conduct”, in proper SCS jargon.

Furthermore, the *Planning Outline* aimed to extend “credit” mechanisms to the internet and to include offences such as “rumour-mongering”—often a euphemism for information that is “real” but sensitive to the authorities—in special blacklists for online services. Indeed, in March 2020, police in Anqing City (安庆市) added two citizens to a local blacklist for Covid-19-related violations. One had posted a video online of an ambulance taking away a suspected Covid-19 patient, “causing panic”. The local authorities cited no malicious intent or proof thereof. The other had (supposedly for fun) fabricated a story that a resident had succumbed to the virus.³⁹ The PRC has long criminalised “rumours”,⁴⁰ and the SCS simply became another mechanism authorities could deploy to penalise this. What both examples show, then, is that when the SCS enforces laws society-wide (as it is designed to), it also enforces potentially repressive laws.⁴¹

FROM THE PLANNING OUTLINE TO LOCAL IMPLEMENTATION

The NDRC and PBOC—formally designated as the lead agencies in charge of implementation⁴²—quickly set to turn the highly abstract planning outline into action. One of their first steps was to establish demonstration cities that could show the way forward to the rest of the country. In 2015, 11 cities were announced as candidates,⁴³ followed by another 32 in 2016. As candidates, the NDRC and PBOC tasked them with creating the basic conditions for the construction of the SCS. The

establishment of the SCS was not limited to these cities; they were simply frontrunners.

Finally, in 2018,⁴⁴ 2019,⁴⁵ and 2021,⁴⁶ the NDRC and PBOC announced three successive rounds of demonstration cities (62 cities and districts in total). They were supposed to demonstrate innovative and local solutions to the aims set out by central planners, adapting them to the different local contexts. In this controlled range, authorities could identify successful practices and potential problems, which they would use to guide further implementation in other areas.⁴⁷ In other words, these cities (aggregated as a group) were to become a blueprint for national policy and its implementation in other parts of the country. However, this status does not imply formal *approval* of everything a city does. In subsequent years, authorities would outlaw quite a few practices first introduced in demonstration cities.

The NDRC and PBOC expanded the scope with each round: the first round included only twelve cities with a combined population of around 95 million (an average of approximately eight million), whereas the most recent addition covered another 34 cities worth over 170 million inhabitants (roughly five million per city). In other words, the SCS gradually moved from the big developed megalopolises into the (by comparison) smaller and poorer areas of the country, even though the most remote and impoverished regions would continue to see only little action. Figure 4.2 shows the geographic distribution of the demonstration cities.

The geographic concentration towards eastern regions emphasises economically developed regions rather than the western regions subject to intensified surveillance in the Xi era. Only one out of 62 demonstration cities (Baoshan City [保山市] in Yunnan province) is in a region with a relatively high concentration of officially recognised minority groups. This city was announced only in 2021.

While the *Planning Outline* remained abstract, the NDRC and PBOC set concrete indicators for evaluating the demonstration cities. The most important of these included the construction of basic information production and sharing infrastructure, the creation of effective joint reward and punishment mechanisms (i.e. the redlists and blacklists, respectively), and the creation of concrete applications for the use of “credit”.⁴⁸ These objectives were relatively basic and did not differ too much from those set—and hitherto uncompleted—in the early 2000s. But now, they would really have to be completed once and for all if the cities wanted a positive evaluation.

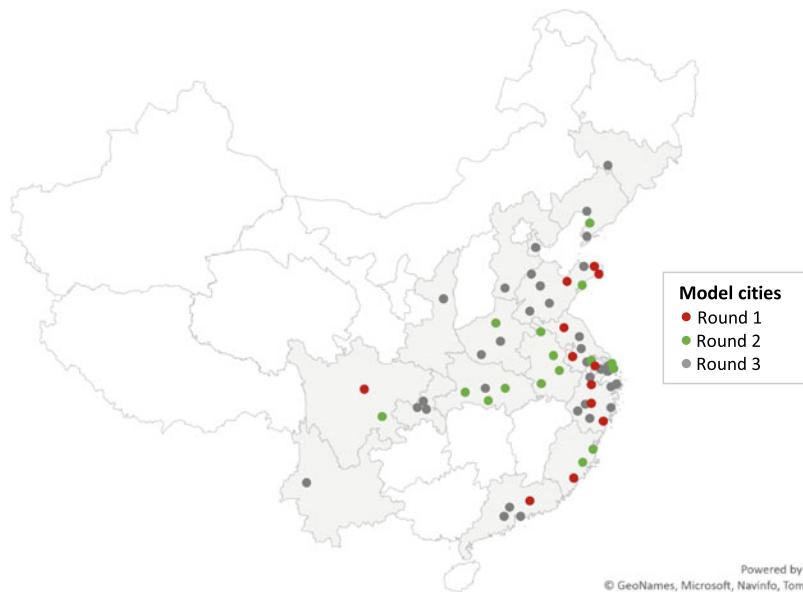


Fig. 4.2 Geographic distribution of demonstration cities

Separately, the NDRC set up the *City Credit Status Monitoring and Early Warning Indicators* in 2015. These indicators measured the relative success in implementing the SCS of all major cities in China. Each year, the NDRC would release new criteria for this ranking and display the outcomes—updated monthly—on the Credit China website. The rating criteria were a direct reflection of the SCS' different ambitions: a strong emphasis on penalising violations of laws and regulations, but also elements aimed at improving the business environment, streamlining and optimising supervision, and moral publicity.

Figure 4.3 shows that in 2019, over half of the available points cities could gain are related to managing and penalising untrustworthy conduct. But although the general priority items remained consistent, there were significant changes every year. Municipal governments used task lists to assign individual criteria to their departments that ensured their city would get the highest possible score for each indicator. Each year, therefore, became like a mini-campaign to implement new aims and ambitions.

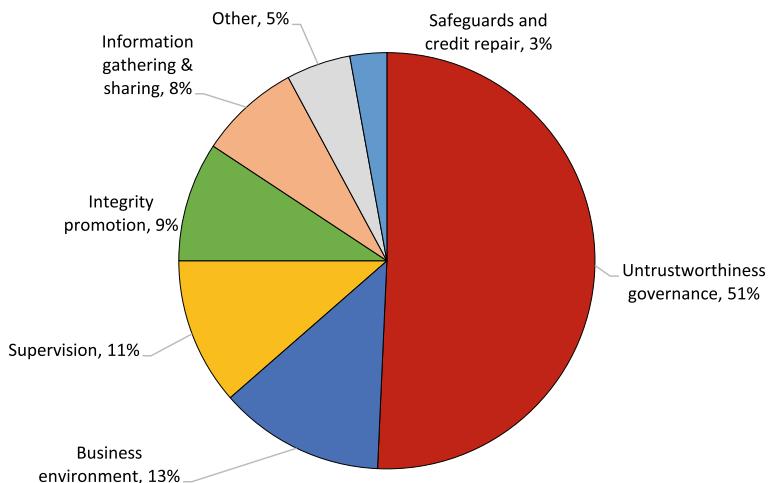


Fig. 4.3 Evaluation criteria for the City Credit Status Monitoring (2019 edition), grouped by category as a percentage of the total possible score

Although penalties for untrustworthiness take up the majority of the evaluation, the stated goal was to *reduce* the number of entities subject to penalties. Cities, for instance, would lose points if there were too many blacklist cases for severe untrustworthiness as a proportion of all companies in the city. As a supplementary explanation to 2018's evaluation criteria clarified, "the higher the proportion [of companies on a blacklist], the worse the corporate credit level of the city".⁴⁹ This criterium may have contradicted with another to set up blacklists in as many different departments as possible. Cities had to implement blacklists, but implementing too eagerly may also lead to worse scores as the number of blacklisted companies skyrockets.

FRAGMENTATION

In the new phase kickstarted by the *Planning Outline*, China's authorities successfully fixed one issue—unenthusiastic progress on implementation—but now another problem came to the forefront: fragmentation. The message of the new document had been to develop “credit” mechanisms in virtually every aspect of the economy. Ministries, cities, and even

districts took this to heart. They produced hundreds, if not thousands, of different initiatives. They rolled out pilot projects and trial regulations, but how these related to the general idea of “credit” or were supposed to connect was an afterthought.

On the one hand, this fragmented process has always been an inherent feature of the policymaking process in post-reform China. Leaders formulate abstract requirements and (semi-) regularly issue new guidance, but localities are in the driver’s seat to develop innovative ideas and test them in practice. On the other hand, China’s economy had become infinitely more complex. Issues such as personal or corporate information protection, information-sharing systems, digital standards, and more all require some standardisation. Since the SCS’ ambitions had long included digitisation and the construction of cross-departmental and cross-regional information-sharing systems, it brought these challenges to the forefront rather quickly. It appeared that this policymaking model started to face its limits.

Although the 2014 *Planning Outline* and subsequent key guiding opinions by the State Council in 2016⁵⁰ and 2019⁵¹ (among many others) ensured the general direction remained somewhat consistent, variations occurred as agencies charged with implementing the system at all levels specified this according to local priorities and practices. For instance, there were no unified guidelines on what data the SCS should collect, only limited guidance on how it should be stored and shared, how different blacklists should work, what penalties were allowed or encouraged, and more. As Fig. 4.4 illustrates, most concrete regulations on the SCS⁵² (excluding credit reporting) were only released from 2017 onwards. Until 2021, most were predominantly only trial or temporary documents. Typically, such regulations should provide detailed operational mechanisms, legal clarity, and more. But in practice, these temporary or pilot documents remain short on detail and lack clear direction and strong legal safeguards.

The subsequent fragmentation manifested itself in three ways. First, each demonstration city developed unique local initiatives or adapted the SCS to those areas most prevalent in their region. The evaluation guidelines actively *encouraged* them to develop creative innovations or local specialities.⁵³ Rongcheng, for instance, developed an integrity rating system for taxi drivers. Huizhou, another demonstration city, created a QR code system that allowed citizens and market supervisors to trace products such as oil and grain throughout production, logistics, and

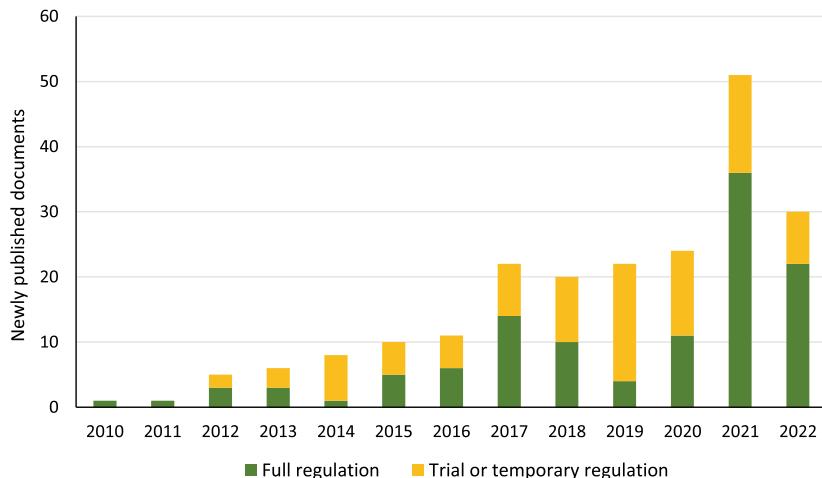


Fig. 4.4 Newly published regulations and measures on the SCS per year, categorised by their level of institutionalisation

distribution. Xiamen started a registration system for Taiwan-funded enterprises in its free trade zone specifically.⁵⁴

These initiatives allowed localities to develop policy that suits the local conditions best, which is standard practice in PRC policy. Yet, the outcome was that what was well-developed in one city remained underdeveloped in another. As a result, what is clamped down hard on in one area, can be totally ignored in another—and vice versa. This fragmentation creates compliance challenges, as companies need to be aware of different regulations in different areas. It also makes data sharing more difficult, which remains this central objective for the system.

Second, local authorities are also formally permitted to develop supplementary regulations and clauses on top of national legislation. The State Council reiterated this right to create local supplementary regulations as recently as December 2020.⁵⁵ As cities add these extra clauses, they inherently broaden the scope of the SCS within their jurisdiction. One example is the local environmental blacklist from Ningbo, a large port city just southeast of Shanghai, since 2016. The basic conditions for blacklisting here are broadly consistent with those in national regulations. Still, Ningbo's authorities added special supplementary conditions for blacklisting. For instance, receiving criticism in the “mainstream media” (主要

媒体) at Ningbo-or-above level and failing to perform correction work would be grounds for blacklisting, as well as any other serious violations that the local environmental bureau “believes” should be included in the respective blacklist.⁵⁶

The supplemental clauses added a severe layer of ambiguity to these regulations. Companies now needed not only to comply with formal laws and regulations. Issues that would typically not be sufficient for blacklisting could suddenly become formal grounds for blacklisting as long as state-owned media found it worthy of coverage. Granted, the state tightly controls media in China, but their word is still far from the law. The concluding catch-all clause, a staple among many policy documents in China, also gives authorities a broad remit to do as they see fit. Multiple sources indicate this document is still active as this book hits production.⁵⁷

Third and finally, local authorities have a significant degree of flexibility to create proprietary evaluation, classification, and supervision methods. These detail numerous ways in which compliance with regulations is monitored and evaluated. Here, too, environmental regulations are a good example. In the years following the *Planning Outline*, local governments have steadily rolled out so-called “hierarchical and categorical management” (信用分级分类管理) mechanisms. Its purpose in the context of environmental protection is to quickly detect and halt any violations, increase supervision of companies with questionable environmental records, and decrease the burden on companies with good compliance standards. For this, environmental bureaus may monitor real-time emissions, conduct inspections, hand out warnings, and more. Based on these outcomes, they classify companies into various categories and increase or decrease supervision accordingly.

The operational mechanisms vary significantly from region to region. For instance, Jiangsu’s provincial measures describe a 12-point scale with a baseline of 9. For violations detected during official inspections, companies get docked points—comparable to how one can lose points on a driver’s license—that last a given period, typically one to three years. Official warnings also count as minor point deductions that last six months. Authorities can classify violations as “common untrustworthiness”, “relatively severe untrustworthiness”, or “very severe untrustworthiness”, respectively. Accordingly, companies will receive intensifying and expanding penalties. Demonstration city Wuhan, on the contrary, uses a point scale of 0–100 with a baseline of 100—the maximum possible.

The basic mechanisms are similar, yet Wuhan does not deduct points for official warnings. It also does not differentiate between levels of severity and offers only one category of penalties for all types of “untrustworthiness”.⁵⁸ The consequence is fundamental interoperability between the two systems: what can lead to a lower classification in one city is essentially fine in another, and vice versa. Indeed, cities need to sign conversion agreements to establish interoperability between evaluation systems.⁵⁹

GLORIFIED SPREADSHEETS AS DIGITISATION

The PRC government regularly hypes up the potential of big data and technologies related to AI. For the 14th Five-Year Plan, “digitisation” (数字化) was the big buzzword; for the 13th Five-Year Plan, that was “informatisation” (信息化).⁶⁰ For the SCS, a 2019 guiding opinion by the State Council called to “give full play to the role of ‘Internet+’ and big data in supporting credit regulation ... fully utilizing big data, AI, and new era information technologies”.⁶¹ On a local level, cities like Suzhou formally paired up with tech giants like Alibaba to realise their goals.

Such examples should be read with a grain of salt. They typically function as aspirational calls to action from policymakers who can be unfamiliar with the technology. At all levels of government, those in charge of implementation repeat this language to signal alignment, but this regularly means little more than “do something with data”.

The development of the SCS indeed remains remarkably low-tech. Demonstration cities often lauded themselves for having collected billions of data, with Hangzhou, Nanjing, and Hefei all collecting around 1.5 billion data points by mid-2020. By September 2021, Henan province alone claimed to have collected 10 billion pieces of data, reportedly the highest nationwide.⁶² However, based on their publicly available data, there was no discernible relationship between the volume of data collected and the actual number of blacklistings or redlistings. In the absence of complete data for 2021, the 2020 dataset showed a *negative* correlation of -0.31 between the data points collected and blacklist rates. This figure was undoubtedly affected by outliers and issues with self-reported data—statistics in China have always been notoriously unreliable. But the negative correlation illustrates that the SCS is not a big data-driven system. If it were, more data would inherently increase the likelihood of detecting violations and, thus, the number of blacklistings.

Instead, in most demonstration cities, only one or two departments were usually responsible for the vast majority of data uploads. In Anqing, the Municipal Human Resources Department was the source of over 90% of the city's over 300 million data uploads. This most likely would have included basic information such as household registration, employment, income data, or marital status. On Hefei's online portal, I found that most departments upload less than one hundred pieces of data per week—not very big data at all. In Suzhou, around 13% of citizens had received a single score change after years of operation. In Weihai, the government only had “credit information” (信用信息) to cover about 3% of its citizens. Data quality is also lacking. A recent leak of a police database from Shanghai showed how even basic personal registration was incomplete: thousands of people were ascribed the birth year 1900 due to lacking data. This date is impossible, as no one born in that year is still alive; the currently oldest living human as of writing this was born in 1903.⁶³

Moreover, it makes sense to put these numbers in the context of China's size: on average, these cities collected around sixty data points per citizen. Even something as common as a passport contains dozens of data points that can be digitally scanned and accessed using its NFC chip. In the United States, some small-county welfare programmes had collected an average of eight hundred data points per citizen by the late 2010s.⁶⁴ Credit assessment agency Acxiom claims to hold data on US consumers in three thousand different data segments.⁶⁵

The causes for this lack of development vary. Analysts in China noted that the central government only allocated minimal funding and training for the realisation of digitisation goals,⁶⁶ that local and grassroots governments have many digitally illiterate staff,⁶⁷ and that departments repeatedly throw up barriers to prevent cooperation and data sharing.⁶⁸ Although nearly three-thirds of prefecture-level cities have set up dedicated big data management administrations that are supposed to coordinate digitisation,⁶⁹ such departments remain understaffed.⁷⁰ One scholar damningly remarked that in one case, a city's leadership had no clue what problem really should be resolved with these new systems and that they risked becoming “white elephants” (lit. political achievement project 政绩工程).⁷¹ The suggestion was that many of these initiatives looked fancy but had limited practical value. Some more prosperous provinces may have had the resources to implement more ambitious plans, but they were exceptions, not rules.

Further hampering digitisation is a struggle to coordinate horizontally and vertically managed information. Local departments fall under the jurisdiction of their corresponding municipal, provincial, or national equivalents. For instance, a municipal taxation department is vertically managed by the provincial taxation department, which itself is managed by the national taxation department. But this municipal tax department may also want to horizontally share information with other local departments, like the social security and labour bureau or the customs department.

Here, SCS authorities encountered two issues. One is that few standards allow the sharing of vertically managed information with departments at the horizontal level. If the superior department refused to cooperate, the lower-level departments could not get anything done.⁷² Second, they faced issues related to data-sharing standards even when they could secure their superior's cooperation. They had to format data per the vertical requirements of their superiors *and* those set by the city's horizontal big data or social credit departments, which often conflicted.⁷³

Often, the quantification of society is itself a key challenge facing digitisation initiatives. China's system relies heavily on human resources to supply data for digital monitoring systems: surveillance cameras and online censorship can only do so much. But quantifying civil servants' work also gives them incentives to massage data. One of the most-cited examples is that courts in China stop accepting new cases before the end of the year, so their year-end aggregate shows a higher percentage of successfully closed cases.⁷⁴

In one illustrative grassroots surveillance initiative, a district paired 756 high-resolution surveillance cameras with 37 full-time employees to gather intelligence on social instability. It provided the workers with a mobile app for real-time reporting, which directly fed the data to a control centre for monitoring and analysis. Local authorities set quotas for minimum amounts of information that the workers had to gather, or else they would dock their pay. As a result, these so-called "grid workers" (网格员) reported any minor information or even double-counted incidents. When certain pieces of information could reflect negatively on their superiors, team leaders pressured them to omit the data. In other cases, data was outright fabricated. Data was not supposed to solve problems; it was supposed to make the authorities in charge look better.⁷⁵

Nonetheless, the SCS should not be dismissed purely on this basis. There is immense potential in even simple forms of digitisation. The SCS

aims to bring online documents that would otherwise be collecting dust in a filing cabinet in a random county office in China. When surveillance and regulatory data are no longer confined to these bureaucracies but become available country-wide, enforcement of laws is improved, but so is surveillance of individuals. Take demonstration city Rongcheng as an example: elderly party officials would scribble notes by hand on the behaviour of neighbourhood citizens and pass these notebooks on to county officials on a semiregular basis.⁷⁶ These officials then had to go through these handwritten notes and file them manually. A simple mini-programme in WeChat—a messaging app turned digital Swiss-army knife used by nearly everyone in China—could immensely streamline this process. Since WeChat is familiar even to many elderly, citizens can quickly report data in consistent formats that a computer can immediately read for large-scale analysis.

Nor should we only judge the SCS only on the basis of its current track record—we should also consider future ambitions. For instance, the guiding opinions in 2019 express exploratory interest in predictive management: “use big data to proactively discover and identify clues on violations of laws and regulations, effectively preventing harms to the societal public interest and the masses’ security”.⁷⁷ This general direction is unmistakable and will be discussed further in Chapter 6. The crux is to critically assess and unpack how bits of technology are or can be used, low-tech or high-tech alike while continuing to be sensitive to implementation gaps and “buzzwordy” discussions in policy documents.

CREATING SPACE FOR ABUSE

The fragmentation of the system and its low digitisation work hand-in-hand. Many cities had different ways of uploading their data. Some used the formal Credit China infrastructure, others simply attached spreadsheets to their news pages, and others uploaded screenshots of those spreadsheets. Many documents remain on paper or are photo-scanned, cities use different technologies and data standards, and departments even throw up barriers for horizontal and vertical data sharing under the guise of information security.⁷⁸ That is to say; they used information security as an *excuse* not to share data.

When data management standards differ, it is impossible to cross-connect different databases, making it impossible to conduct big data analysis. More broadly, creating technical interoperability between systems

that work in fundamentally different ways is challenging. Low levels of digitisation can also cause fragmentation: when technical infrastructure is incomplete, it is impossible to create interlinked mechanisms. Today, it is difficult to read through a single Chinese-language analysis of the SCS and not encounter multiple segments lamenting “data islands” (信息孤島).⁷⁹

Fragmentation is dangerous to the millions and millions subject to the system. First, if information systems are incomplete, how will one find out about relevant regulations and one’s credit status? In some cases, only 10% of blacklist records are shared between the central national platforms and sectoral blacklist portals. Even the most up-to-date databases failed to share 100% of their data with the central portals.⁸⁰ Companies and individuals may be left in the dark after being blacklisted or cannot find relevant information. Indeed, a survey showed that 83.9% of young Chinese are afraid of being blacklisted without knowing.⁸¹ Faulty data signals can also mean people or companies are put on watchlists by mistake, as has already happened in other countries.

Fragmentation, especially the vagueness and ambiguity surrounding many SCS tenets, also provides leeway for bureaucratic misuse of its mechanisms. Some scholars essentially commented that authorities used blacklists at will.⁸² The blacklist examples mentioned earlier from Anqing and the province of Inner Mongolia are examples of such ambiguity. In other regions, authorities used the SCS to penalise payment arrears on toll payments, failing to separate one’s garbage, jaywalking, frequent job-hopping, and more.⁸³ Experts rightly commented that the current mechanisms to tackle dishonesty had been “generalised” (i.e. used in a too generic way without a logical link to the meaning of “credit”) and abused; they excessively restricted the legal rights of citizens.⁸⁴ But ambiguity also caused favouritism: Fujian operated a redlist rewarding “provincial famous brands”—I will have to leave unanswered why they connected fame and credit. Authorities had just rebranded some existing mechanisms into “redlists”.

In sum, the fragmentation of the SCS harms its ability to address the challenges it set out to tackle. As highlighted throughout this book, authorities promote the SCS as a tool for bureaucratic streamlining. Another challenge was that if companies violated regulations in one region, they could simply re-register in another area and commit the same offences all over again. Cross-region and cross-industry blacklists with a

shared information ecosystem were supposed to finally fix these. Without such data sharing, the system's foundations crumble.

AMBITION MEETS BUREAUCRATIC REALITY

Nearing the end of 2020, it had become clear that the SCS still had many issues to tackle. While many public statements and scholarly assessments in China emphasised that the system had brought some positive change to China's market economy, challenges were widespread. Ironically, these challenges are quite the opposite of much of the Western coverage surrounding the system. Rather than a high-tech system, it remained primarily driven by humans. Rather than an all-controlling central government, the central government itself did not seem to know for sure what it wanted to focus on. Many of these challenges remained fundamentally unchanged since the system's inception in the early 2000s. By early 2020, experts in China concluded that it would be challenging to achieve the goals set in the planning outline.⁸⁵

The SCS is an immensely complex programme. It draws from the credit reporting mechanisms in advanced market economies but adds a layer of legal compliance and even a pinch of subjective moral behaviour.⁸⁶ Although there are parallels with similar systems globally (see Chapter 2), there is no modern equivalent for the sheer breadth that the SCS covers.⁸⁷ The SCS is not just one system but a system of systems. But despite a lack of clear directions, understanding, or "systematic elaboration" on what the system would be, authorities were determined to push its development forward.⁸⁸

Experimentation under central control is a hallmark feature of China's development since its reform and opening-up. It led all actors in China's immense bureaucracy to adapt it to their interpretations and interests. But as it effectively mobilised the massive innovative capacity in China's system, it also brought about the challenges we see today. The fragmentation and low levels of digitisation are not harmless. On the contrary, poor legal standards create dangers of over implementation for individuals and companies. Political objectives seep into the SCS even if it is designed to be ostensibly "objective".

These challenges are not unique to social credit in the slightest. For instance, the development of smart city infrastructure in Shenzhen—one of China's most high-tech cities—remained marred by inconsistent data management and rigid bureaucratic practices.⁸⁹ The Covid-19 health

code system in China, a digital code for citizens that assesses the risk of infection, was similarly hampered by “data islands”.⁹⁰ In this case, the immensely high political pressure to fight the pandemic created a steep learning curve, but this remained an exception rather than the rule. Even by the end of China’s Zero-Covid policy in December 2022, authorities had not achieved full integration. The lack of funding, especially for smaller cities, makes it challenging to bring lofty ambitions to life, such as the case for grid management, a surveillance initiative dividing China into “grids”.⁹¹ But the SCS is unique in scale and scope. By the start of 2020, few of these challenges appeared close to being solved after twenty years of development.

This challenge is fundamentally rooted in China’s bureaucracy. First, the SCS’ all-encompassing scope makes it immensely challenging to coordinate across the entire bureaucratic apparatus. Already early in the SCS’ construction, premier Wen Jiabao had lamented coordination issues. The slow roll-out of national regulation on credit lamented by many scholars and even the government itself, such as the absence of a Social Credit Law, is a further symptom pointing in this direction. Such lack of regulatory clarity exacerbated challenges in coordinating vertical and horizontal roll-out.

Second, digitisation furthers centralised control over the bureaucratic apparatus, causing pushback. The SCS has the potential to further centralise power. In the past, local agencies used information asymmetries to their advantage vis-à-vis each other or the central government; the SCS directly aims at them as targets for enforcement.⁹² In other areas, such as smart cities⁹³ or judicial reform,⁹⁴ digitisation has also proven to limit the power and discretion of downstream officials. Thus, there are clear motivations for them not to cooperate or only partially do so. Inversely, local authorities continue to massage data where it can help showcase their successes, which harms the actual decision-making efficacy of digital systems.

Building the technical architecture is not the main bottleneck. Designing technical and institutional frameworks to suit everyone’s policy interests and getting all cadres to use them consistently is the more significant challenge. Scholars from China’s eminent Tsinghua University echo that technical developments are progressing rapidly but that the institutional system and management practices have become the main constraints in China’s system.⁹⁵

From this institutional perspective, three factors determine the pace at which Chinese authorities adopt digital technologies. The first one is political imperative: the greater the threat to regime stability, the more likely all actors align and make funds available to realise quick adoption. Then comes scope: the more factors that need to be tracked and integrated by an initiative, the more difficult actual implementation becomes. The last one is scale: the more regions and departments become involved, the greater the risk of fragmentation.⁹⁶ These factors explain why a complex, cross-sectoral, and inter-regional initiative like the SCS remains fragmented while only digitised to a low degree. And while not unimportant, the SCS is far from regarded as system-critical as the surveillance tools that directly uphold CCP rule. It is also why one-dimensional and more localised political surveillance initiatives, such as in Xinjiang, have had fewer problems getting off the ground, even if they still share some of the same issues.

Nevertheless, China's leadership sees these challenges as temporary, whether they may take two or twenty years to fix. They may never achieve 100% of their goals, but they may get somewhat close. Chapter 6 will discuss how China's leadership responds to these challenges. But first, the next chapter zooms in on the implementation of blacklists in practice.

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CHAPTER 5

No Credit for Culprits

UNTRUSTWORTHY

Imagine calling a friend and being greeted with an automated message that says, “the People’s Court has announced the owner of the phone you dialled as a *judgement defaulter*. Please urge them to perform their obligations determined by the effective legal document as soon as possible!” Or imagine casually scrolling through TikTok and coming across a video with the mugshot of the same friend: “This person is untrustworthy”, followed by their name, personal details, and case details. The video provides a hotline, urging you to share any information about their whereabouts.¹

Meanwhile, on bulletin boards throughout your community, pictures and descriptions of model citizens are prominently displayed. One man is featured holding a large red banner that reads, “he did not pocket the money he found; a noble moral character” (拾金不昧 品德高尚). He is a cleaner who found a wallet and immediately handed it over to the local Community Committee. As a token of appreciation, the wallet’s owner made him the banner. Moreover, the committee presented him with an award and now displays his picture as a model of trustworthiness.²

Blacklists and redlists are the bread and butter of the SCS, and these are two typical stories people in China may come across. Especially blacklists are not a Chinese invention: governments and private companies worldwide have used blacklists for decades, if not more. Yet, there is

no real prototype blacklist anywhere in the world. Globally, some blacklists may be automated watchlists that flag suspicious behaviour, while bureaucrats may manually operate others. They may be linked to penalties, while others only serve as digital archives of previous violations. The one principle that connects many blacklists is that they use information about one's reputation in one specific domain to assess or restrict future activity in a similar field. That may be to block passengers from boarding planes again or to warn insurance companies about potential fraudsters.

Authorities establishing the SCS in China deviate from this principle by introducing blacklist mechanisms in nearly every aspect of economic activity so that a violation of laws and regulations in one domain can lead to restrictions in many others. Moreover, they extensively name and shame offenders into coercing them into compliance. Naming and shaming make the SCS potentially more consequential and far-reaching for businesses and individuals in China than blacklists elsewhere.

The government presents an all-encompassing blacklist mechanism as both a means to an end and an end of itself. It has repeatedly made clear it wants blacklists to be established in every field of economic activity to restrict offenders. For instance, after committing a severe violation and proving their “untrustworthiness”, they should no longer be allowed to work in sensitive economic domains like food production. In addition, authorities should restrict them from enjoying government subsidies or bidding for government procurements. In this way, restraining such entities is an end in itself. But it also hopes that these measures together serve to create a more “honest” or “trustworthy” business environment, where long-term the proportion of “untrustworthy” entities should *decrease*. Evaluation measures that stipulate cities will receive better evaluations if fewer entities are subject to blacklist restrictions reflect this (Chapter 4).

Although much public attention has focused on blacklists, significant confusion exists on how blacklists work. Moreover, few empirical studies clarify who is affected, why, and the consequences for them. Even recent peer-reviewed studies continue to suggest erroneously that people with too low scores will be blacklisted.³ Media similarly continue to conflate blacklists such as the no-fly list with the SCS and vice versa.

This chapter zooms in on the fundamental nature of blacklists in China. It unpacks the complex web of blacklists introduced under the SCS, from court-mandated blacklists for people ignoring court orders to those banning people from trains for misconduct. It highlights how blacklists remain human-driven mechanisms but that this adds new causes of

concern as political interests start to play a role. It argues that authorities only target a small portion of China's population and companies. Nevertheless, this does not entirely prevent the system from being used for political surveillance, as legal safeguards and removal mechanisms for blacklists remain underdeveloped. The chapter concludes with a discussion of the success (or lack thereof) of social credit blacklists.

A WEB OF BLACKLISTS

Penalties for “untrustworthiness” have long been a central facet of the SCS, appearing first in local policy documents as early as 2002⁴ and nationally since 2003.⁵ Authorities quickly turned these into plans for SCS-related blacklists, such as when Jilin Province announced a blacklist for fraud and “untrustworthiness”, with the aim that online publication would “ruin [companies’] reputation and cut off their customers”.⁶ Nevertheless, a uniform blacklist has never existed, and a lot of confusion originates from the failure to distinguish between these different blacklists. This section discusses the SCS’ three main types of blacklists: the judgement defaulter blacklist, sectoral blacklists, and the no-fly and no-ride lists.

Enforcing Court Judgements

A story is all over the news in China. Over fifty individuals and corporations have launched an enforcement lawsuit against a car manufacturing company for outstanding debts totalling over 40 million RMB. The court seized the production line and property of the company. Unfortunately, the court found them to have been severely damaged or neglected by the owner. Meanwhile, the company’s legal representative was nowhere to be found and refused to respond to the court’s summons. In response, one litigant requested the court to include them in the *judgement defaulter blacklist*. It soon approved the request, and the company and its owner’s names were everywhere on the evening news; they are *untrustworthy*. The negative publicity and penalty measures proved too much for the representative, who suddenly reappeared and pledged to pay off the debts as soon as possible.⁷

The judgement defaulter blacklist, of which the anecdote is an official “typical case”, is one of the SCS’ most prominent blacklists. It dates back to at least 2003 to improve the enforcement of court rulings.⁸ If

a debtor or business partner refused to hold up their end of the bargain (i.e. delivering on a contract or repaying a loan), creditors could apply to courts for an enforcement order. As Chapter 2 showed, this did not work particularly effectively. Thus, courts came up with an initiative to share information about these so-called “judgement defaulters” (lit: dishonest persons subject to enforcement 失信被执行人), or people who do not comply with court orders despite having the ability to do so. At first, the courts primarily shared this information with the public, hoping to shame them into compliance.⁹ There was no standardised procedure for this, but courts could use bulletins, radio and television announcements, and even posters to announce the names and information of people subject to enforcement to the public.¹⁰ In 2006, the first official version of this blacklist was reportedly released by Chongqing’s local court before it became more widespread in the early 2010s.¹¹

The role of this blacklist was to solve four critical issues in execution: courts encountered challenges finding the debtor in the first place, identifying the property that could be enforced upon, getting the required assistance for enforcement, and finally moving the property. As one professor in the PRC lamented: “Some debtors hid in [remote] Tibet for a long time, others created fake divorces to move property. Sometimes, the debtor and their relatives assaulted enforcement officers. In some areas with severe protectionism, local police forces even obstructed enforcement by force”.¹² Therefore, this blacklist was to coerce debtors to proactively settle their debts rather than going through an arduous and often unsuccessful enforcement procedure. This aim was expressed most clearly by former premier Li Keqiang, who in 2013 commented that the country should “establish a sound blacklist system to let violators pay a price they cannot endure”.¹³

In 2013, the SPC turned fragmented measures into a real unified blacklist system with the release of a cornerstone regulation: the *Several Provisions on Announcement of the Judgement Defaulter Blacklist*. It clarified that citizens included in this list should be able to perform the court orders but actively refuse to do so. The court gave itself a broad remit to assess the “ability to perform” by adding catch-all clauses that gave it ways to consider political imperatives *alongside with* legal rights.¹⁴

Once included in this list, judgement defaulters are restricted from (1) flying, travelling 1st class on trains; (2) staying at star-rated hotels, golf courses, etc.; (3) purchasing real estate; (4) leasing “high-grade”

office buildings, hotels, apartments; (5) purchasing “non-business essential” vehicles; (6) going on holiday; (7) having children attend high-fee private schools; (8) purchasing high-premium insurance products; (9) travelling by high-speed train altogether; lastly (10) all “other non-life and non-work essential consumption behaviour”.¹⁵

The logic behind these items is that culprits should first repay any debts or fines. If they do not, they should also not spend their money on “luxury”. This principle appears logical on the surface, but there are caveats. Technically, the restrictions on high-speed trains and flights only prevent luxury, non-necessity purchases. Flights are still considered a relative luxury in China: in 2019, one billion Chinese citizens (over 70%) had never taken a single flight.¹⁶ But a ban on high-speed travel can be a complete travel ban if a particular place is only really reachable by high-speed train.

Imagine someone on this blacklist lives in the far east of the country and receives a message from their hometown in the far west of the country that a family member is in critical condition in the hospital. Without access to high-speed rail or flights, this journey may take over 48 hours—will they be able to make it back in time? Technically, it is possible to apply to courts for exceptions for essential travel, and there is evidence that exceptions have been granted for this before. Yet whether courts will grant this in time is the question. Since courts have complete discretion over what is considered “essential”, their political and institutional interests may influence whether they do so, too. In this way, the judgement defaulter blacklist can have severe adverse impacts on the rights of citizens.

Similarly, although the restrictions on private schools should theoretically not affect a child’s right to education (public schools always remain accessible), there are very reasonable scenarios where such rules undermine such rights in practice. It ignores that for children with special psychological or physical needs, private schools are the only ways to realise their right to education. Or, what if the children have received full scholarships to attend such schools and do not require their parents’ funding? In that case, restrictions would violate the intended principle of restricting culprits from spending their money rather than repaying their loans. After all, with a scholarship, they do not use their own money. In one real-life case, a private school kicked one kid off because their mother had outstanding debts. The issue: the parents were divorced, and the mother did not have custody of the child. The court later corrected this specific

case, but it shows that the balance between protecting children's right to development and enforcement remains skewed.¹⁷

Moreover, the conditions for inclusion in this blacklist are not formally dependent on the severity of the violation (such as the monetary value owed). In some instances, agencies have developed different gradations of severity, ranging from petty to severe untrustworthiness. This differentiation is, however, not formally the case for the judgement defaulter blacklist. Those defaulting on petty loans typically receive the same penalties as those owing millions of RMB. An example of this occurred in 2019 when the Wuhan Intermediate People's Court ordered the blacklisting of two individual companies that had defaulted on only RMB 600 (!). Its legal representatives were put on the judgement defaulter blacklist *and* restricted from leaving the country—an additional penalty that courts can impose. These penalties were as severe as those handed to a person who owed over two million RMB.¹⁸

Sectoral Blacklists

For Mr. Wang, the chairperson of a thriving real estate company in Guangxi, being blacklisted for tax violations was his most unforgettable experience in the business. Dazzled by the profits from developing properties catering to the tourism industry in a small haven of peace on the border with Vietnam, he became greedy and began to skirt taxes. But in May 2016, the provincial tax department launched an audit and uncovered he had embezzled RMB 1.5 million from the government. When Wang refused to pay, the tax department rapidly escalated enforcement against his company, but he outwitted them by transferring its assets to another entity under his name. But then they added him to the tax blacklist. Suddenly, he found his companies could no longer bid for land purchases. Adding insult to injury, the bank temporarily froze his loans. Fearing for the future of his company, he swiftly repaid his taxes and was again removed from the tax blacklist. "You may think you're clever by exploiting legal loopholes", Wang later admitted at a forum organised by the tax department, "but in the end, it will cost you dearly, both financially and in terms of reputation. It's not worth it!".¹⁹

Like the tax blacklist from this instance, there is a wide range of sectoral blacklists that regulators and administrative bodies in China manage. Authorities and experts envisioned them as key solutions to issues in regulatory enforcement, such as food safety and tax regulations (Chapter 2).

Authorities would create lists of companies that commit severe violations of relevant laws and regulations and share them with other agencies and the public via a shared information system.

The Chinese authorities introduce the principle behind blacklists as “dishonesty in one place leading to restrictions everywhere” (一处失信、处处受限).²⁰ If a company or individual violates laws and regulations in one area, they should be subject to restrictions also in other areas. That is how Mr. Wang’s violation of tax regulations suddenly led to loan freezes. It functions as a punishment while ostensibly enhancing trust in the market economy. If you cannot trust someone in one field (e.g. food production), you probably also shouldn’t trust them in another sensitive domain (e.g. medicine production). And similarly, if one is subject to enforcement in Beijing, then that enforcement should also apply in any other province. This mechanism attempts to address long-standing administrative and legal enforcement issues in China, such as preventing a culprit from simply hopping to the next region and committing the same offence again.

Hence, each blacklist may have as many as forty different agencies involved in enforcement. For instance, violations of intellectual property rights may be subject to penalties issued by as many as 38 parties and state organisations. Such penalties include administrative penalties (e.g. fines), cancellation of permits, broader restrictions on government funding support, reduction of subsidies, restrictions on issuing corporate bonds, restrictions on access to certification bodies, and more.²¹ The specific measures differ from blacklist to blacklist, but overall consequences for blacklisting can be severe. Information sharing with the public can also make the risks unpredictable: one can never know when information on a violation can have a negative impact, for instance, when it informs a business partner and they decide to freeze a contract.

Officially sanctioned penalties for blacklists are primarily in the form of discretionary restrictions in administrative processes and interactions with the government. That is to say, individual government agencies may exclude a company from public procurement, cancel permits or revoke qualifications, and restrict government funding. But a violation of environmental regulation will not, for instance, ban one from taking trains or purchasing a house. These are exclusively the domain of the judgement defaulter blacklist. Penalties also cannot be invented out of thin air; by national decree, they must have a basis in national-level laws and regulations.²²

Moreover, these sectoral blacklists target both the company and the individual behind it. For instance, violations of laws and regulations in environmental protection can result in the blacklisting of the business itself, but also that of legal representatives, senior management, and the staff directly responsible for the violation.²³ This technique relates to Mr. Wang's example, where he transferred the company's property to a second entity under his name. Inversely, individuals on a blacklist typically cannot serve as legal representatives or senior management for a different company. Hence, aspects that target individuals and those that target corporations are inherently interwoven. It echoes a sentiment from the US and EU, where bankers took home millions in bonuses during the 2007–2008 global financial crisis while their banks defaulted to shady business practices.

Specific blacklist mechanisms exist for the salt industry, the oil and gas industry, notary and accounting personnel, the securities market, customs administration, water resources, taxation, the tourism industry, medical products, marriage registration, and many more fields. On a national level alone, I have collected documents that specify blacklist mechanisms in at least fifty sectors. On top of that, many provinces have publicly reported implementing up to 35 blacklists, although especially the poorer western regions only publicly enforce a few.²⁴ The respective administrative unit in that sector is in charge of the list, such as the State Administration for Market Regulation (SAMR, China's top market regulator) or the taxation department and their local equivalents. Although the goal is to integrate these blacklists through shared information systems, blacklists today remain highly disjointed and differ greatly in their level of implementation.²⁵

Chinese experts have long questioned key principles behind such blacklist mechanisms. For instance, blacklists can lead to double punishment for the same offence. In some cases, authorities blacklist companies or individuals because they were handed administrative penalties or sentenced by courts. But in this instance, they have already received the punishment as a penalty or sentence. There is also the question of inappropriate association: can someone's violation of regulation in one area be legally tied to restrictions in a wholly unrelated field? An army recruit's refusal to serve—one official reason for blacklisting—is hardly related to their creditworthiness or trustworthiness in food production or taxation and vice versa.²⁶

No-Ride and No-Fly Lists

In 2018, videos of “train tyrants”—passengers who stubbornly refused to vacate seats reserved for others or unleashed their wrath on staff—became viral on Chinese social media. One particularly bizarre incident involved a passenger who pretended to be disabled and in need of a wheelchair, despite being perfectly capable of boarding the train on his own.²⁷ Another case featured a passenger who, after being denied boarding for arriving late to the check-in, attempted to violently push his way past the guardrails to reach the platform. When three staff members intervened, he physically assaulted them, injuring one. These individuals were banned from taking trains for 180 days and became infamous examples of the final type of blacklist: the no-ride list and no-fly list.²⁸

As the names of these lists imply, these blacklists address specific misconduct on planes and trains. Suppose a person commits a violation of airline or train safety regulations, harasses passengers or attendants, uses counterfeit tickets or rides without a ticket, smokes on board, or scalps tickets. In that case, the respective authorities can add them to a no-ride or no-fly list.²⁹ This listing means they cannot purchase tickets or board a train/plane for a specified period, usually six to twelve months.³⁰ These blacklists differ in their limited scope and purpose: they only penalise misbehaviour on trains/planes by temporarily restricting people from boarding new trains/flights again. Unlike most other blacklists, there is no knock-on effect.

The no-ride and no-fly lists are similar to blacklists in countries like the United States, although the conditions for blacklisting are specific to China’s local environment. One crucial difference is that, especially in Europe, privacy standards are so strict that airlines cannot share data. They run their own blacklists, but misconduct on one airline does not lead to restrictions with another—even data sharing among subsidiaries is generally highly restricted.³¹ The no-ride and no-fly blacklists in China circumvent this by managing them centrally through the National Railway Administration (no-ride list) and the Civil Aviation Administration of China (no-fly list).

China’s authorities have been exploring ways to apply similar principles to other domains, such as the internet. In 2014, the *Planning Outline* had already proposed to create a blacklist mechanism for those involved in, among others, “rumour-mongering” (Chapter 4).³² But the relationship between such behaviour and “social credit” was contested. At first,

officials eagerly suggested “your online credit status will affect your work and life”, referring explicitly to fake news and rumours.³³ They aimed to formalise such provisions in a 2019 draft regulation by the Cyberspace Administration of China (CAC). This document was supposed to create a unique internet blacklist for—among others—individuals that severely “harm societal public interest” and “create a vile social impact by fabricating, publishing, or transmitting information contrary to social mores ... or honesty”.³⁴

However, this plan stalled, and authorities eventually disconnected it from social credit. Instead, the CAC called upon platform companies to establish blacklist systems that restrict users from creating new accounts outside SCS context. For instance, it proclaimed that platforms should add people who excessively flaunt wealth to such a blacklist.³⁵ In 2022, it added accounts that repeatedly and consciously spread rumours to this blacklist. If the circumstances are severe (as judged by the CAC), they should be banned from registering new accounts across all platforms.³⁶ This aim is relatively easy to achieve in China since users must link their account to a phone number, which telecom companies connect to their ID card.

Internet blacklists show the ambiguity of what is part of “social credit” and what is not. Is “social credit” broad enough to cover online conduct, or is this stretching it too far? For long, this was something that even (or, perhaps, *especially*) China’s central authorities did not know or think of. The issue reminds us that we should not take all statements by officials at face value and that plans by a technocratic and not-always-in-touch-with-reality government do not always need to materialise. It also highlights the potential for abuse inherent in a system like the SCS. With vaguely defined legal principles, authorities could almost do whatever they wanted.

HUMANS PUSHING BUTTONS

Blacklists are popularly portrayed as automated penalty systems, as if a server park outside Beijing processes billions of data points every second to magically dish out penalties to unsuspecting citizens. As the examples in this chapter have illustrated, blacklists are rather analogue, often campaign-driven mechanisms. Throughout its history, the SCS has primarily focused on enforcing laws, regulations, and other legally effective obligations like contracts. Especially since 2019, authorities have

clarified that blacklists are only an appropriate penalty for severe violations of such obligations.³⁷ As a result, blacklist orders rely on legal and administrative processes that are not easily fully digitised and automated. On the question-and-answer forum Zhihu, one netizen commented from repeated experience as a litigant that the entire process for someone to be added to the judgement defaulter blacklist typically took around 6–8 months.³⁸

The following section and Fig. 5.1 demystify the process behind a blacklist decision. It all starts with a (suspected) violation. In some cases, authorities may use digital tools to help detect the violation. However, China's *Administrative Punishments Law* clarifies that evidence collected by digital means is only admissible if a government cadre has reviewed it for truthfulness, clarity, completeness, and accuracy.³⁹ Since this is a relatively novel development, its implementation is unknown. Once authorities verify the evidence, the government organ responsible for the sector can issue a blacklist order.

Furthermore, it must inform the involved parties of the decision and its legal basis before it comes into effect.⁴⁰ After the decision comes into effect, the affected party can file for “credit repair” (信用修复), where it “proactively” corrects the impact of its violation and commits to abide by laws and regulations in the future. If authorities approve, they can remove the party from a given blacklist, which will halt penalties.

This process creates a very flexible, human-driven framework. The role of technology is limited to information sharing and assisting in evidence-gathering, which means that a new blacklist does not require wholly new infrastructure. Instead, all that is needed is an official directive outlining the provisions of the new blacklist and a reference to laws and regulations that provide the legal basis for punishments.

When humans push all the essential buttons, their interests and those of the institutions they work for start to matter. One recent study explored the implementation of the judgement defaulter blacklist in Yangzhou, Jiangsu province, before and after the so-called “basically resolve the court enforcement difficulties” (基本解决执行难) campaign. This campaign aimed to strike hard at noncompliance with court orders and used this blacklist as its primary tool. During the three years of the campaign, the study found that the courts unilaterally pursued enforcement and did not pay attention to or even deliberately ignored the rights of the people subject to enforcement. After the campaign ended, the number of court cases that ended in a blacklist decision decreased significantly.⁴¹ In other

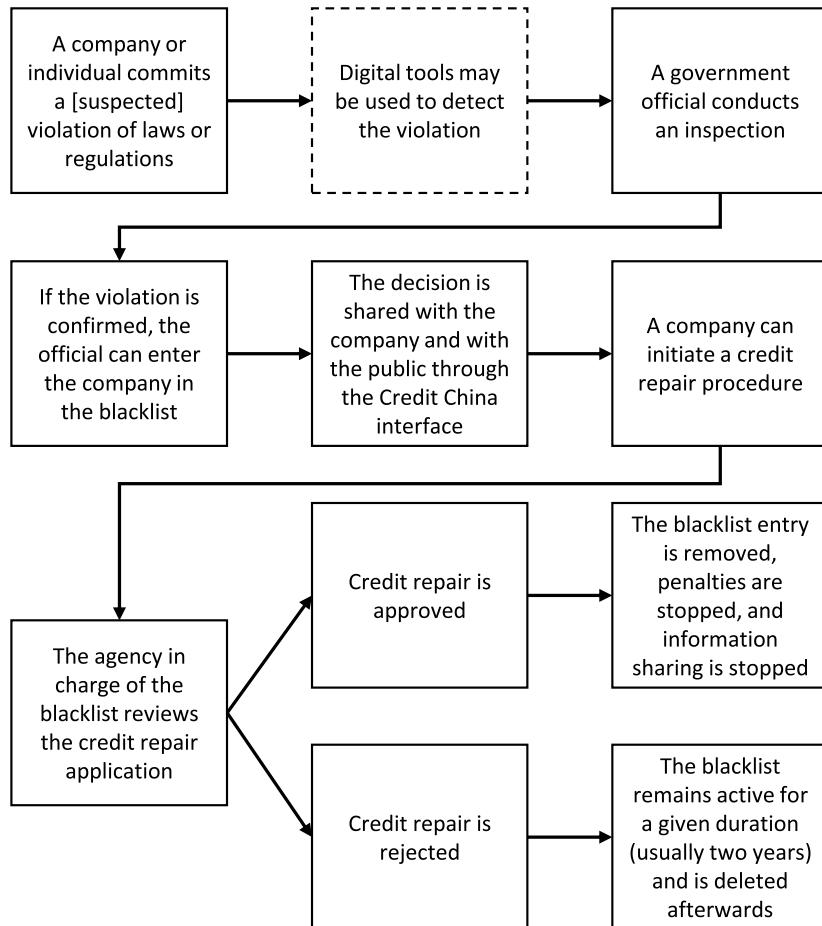


Fig. 5.1 Flowchart of the blacklisting process

words, political priorities and campaigns significantly shaped the day-to-day implementation and may have had a detrimental impact on the rights of citizens.

Another study directly measured the impact of humans by tracking the consequences of personnel changes on the number of blacklist decisions. They tested whether the dismissal and replacement of a municipal

Party Secretary—the highest-ranking political figure in a Chinese municipality, ranking above the mayor—or the head of the Environmental Protection Bureau (EPB) over environmental issues would lead to higher environmental blacklistings. And indeed: the dismissal of a Party Secretary caused a higher number of SCS-related penalties in that field. At the same time, replacing the head of the EPB did not seem to have a statistically significant effect due to this role's limited freedom to design and implement policy independently. Moreover, companies with strong political connections were less likely to be punished.⁴² When humans push all the buttons, patronage is never far away.

NAMING AND SHAMING

A critical feature shared across all blacklist mechanisms is the emphasis on naming and shaming offenders. This facet sets China's blacklists apart from those worldwide. Its main innovation is that companies and individuals on redlists and blacklists are displayed publicly through the Credit China portal, on local bulletin boards, or in news broadcasts. The government has expressed that this should create a societal oversight mechanism where citizens or companies refuse to do business with those on blacklists. In other words, public disclosure of entities on blacklists partly serves to inform. At the same time, it literally shames offenders into compliance and discourages others from taking the same path, coating the offence in a normative frame to form a “social deterrent”.⁴³

Authorities use terms like “deadbeat” (老赖) and “untrustworthy” (lit.: to lose credit/trust 失信) to normatively charge otherwise relatively “boring” violations of formal obligations. It turns a standalone fact, such as failure to repay a loan, into a moral assessment.⁴⁴ Such discourse can also sneakily obfuscate the enforcement of repressive regulations. Whether one has been blacklisted for “organising a petition to the government in Beijing” (a former reason for blacklisting) or for “untrustworthy petitioning” will carry a very different meaning. The central government has abolished such regulations since 2020, but the example illustrates the repressive potential. The same goes for blacklistings for “untrustworthy conduct during the pandemic” versus “posting a video online about what may be a Covid-19 patient being taken away in an ambulance”—a blacklist instance described in Chapter 4.

Naming and shaming start by uploading the different blacklists to the public Credit China or court-run portals. As noted throughout this book,

this is typically a fragmented process. Some portals can be queried online, while others are simply lists uploaded as pdfs or pictures. Sometimes, it takes the form of media articles that display personal information, warning others not to commit the same mistake and asking people to assist court enforcement. Other localities went significantly further. Lishui City (丽水市) displayed pictures and names of sixty blacklisted people during the premiere of the movie *Avengers: Endgame*.⁴⁵ Anglophone media have also widely reported mugshots of “judgement defaulters” displayed in public places like train stations, turned into Douyin (China’s version of TikTok) videos, and more. Generally, citizens have commented that they have witnessed people on blacklists all over the internet, in newspapers, and on television.⁴⁶

The impact of naming and shaming is unpredictable. On the one hand, many citizens appear to buy into the framing of blacklisted citizens as morally “untrustworthy”, actively reproducing the discourse in interviews with researchers. But this is not universal, and some also challenge the official discourse.⁴⁷ The practice is also becoming more controversial. While citizens appear to support specific restrictions associated with blacklisting, support for publishing personal information in, e.g. one’s residential community is more mixed—although still generally leaning towards supportive. The more social or collateral impact a punishment has, the lower the support levels appear.⁴⁸ Awareness of the importance of personal information protection is increasing in China, especially in light of its new privacy regulation and Civil Code introduced in the early 2020s.

SEEING RED

“Always give the honest the green light”, “allow the trustworthy to roam freely everywhere”, and “make the trustworthy benefit at every turn” are just a few policy slogans from recent years. Besides punishing culprits, the SCS also seeks to incentivise exemplary compliance. Authorities do so principally through the so-called redlists—called this way because red carries a positive connotation in China. Entities on redlists are supposed to receive incentives that make their life more convenient. However, what that should entail has never been formally regulated or clarified in much detail.

Contrary to blacklists, for which myriad regulations exist, not a single top-level regulation or guiding opinion has discussed redlists in detail.

The most common measures are “green channels” or simplified administrative procedures.⁴⁹ Here, the knife cuts both ways: companies reduce their administrative burden, whereas the government can focus more specifically on companies with worse compliance records. For individual citizens, localities have typically rolled out measures like deposit-free book borrowing at libraries, parking and public transit discounts, or discounts on tickets to tourist sites.

Just as offenders should be named and shamed, so should the media spotlight exemplary citizens and companies. The CCP has long sought to promote outstanding “models”. When I studied in China, posters on university campuses displayed model workers at the campus and their good deeds. Across counties in China, neighbourhood message boards and bulletins show pictures of model citizens and workers. The SCS essentially transplants this practice into its domain.

In many cases, existing rewards for model citizens and businesses are rebranded as SCS-redlists or redlisting is added as an additional reward. Local Credit China portals have put the spotlight on “the most beautiful grassroots science promotion pioneers in the country”,⁵⁰ companies that maintained “harmonious labour relations” by safeguarding the rights and interests of workers,⁵¹ and even “outstandingly trustworthy” social organisations like Christian associations.⁵² Sometimes, the relationship with “credit” or even the more vague “trustworthiness” is evident. Still, in many cases, it is entirely absent: I have come across redlists for “famous brands” and frontline work during the Covid-19 pandemic. In many areas, redlists reward people and companies for good moral behaviour and political ideology rather than regulatory compliance.⁵³

WHO ARE THE CULPRITS?

Data published by China’s SCS demonstration cities highlights the emphasis on a small group of severe wrongdoers and model citizens. Around 60% of cities publicly displayed the number of companies and individuals blacklisted on their portal. For November 2021, the median number of entities listed across their different blacklists was 21,012 (citizens and businesses combined) per city or 0.46% of their population. This figure was near twice the median number of redlistings, 11,237 or 0.27% of their population. Nonetheless, the exact composition differed greatly. Until that year, Shanghai’s Pudong District reported 105,990 blacklist instances against only 11,270 redlist instances, while Wuhan reported

49,654 blacklist cases and 88,793 redlist cases. In many instances, the outliers are simply indicative of very messy data. Upon closer analysis of the data in Putian city, I found that certain entities were listed up to seventeen times for the same offence.

The aggregate figures, nevertheless, remain broadly consistent with those released by the National Public Credit Information Centre (NPCIC). Between May 2018 and September 2019, the NPCIC released monthly analysis reports detailing that authorities blacklisted around 0.17% of citizens and 1.8% of companies annually.⁵⁴ Another governmental body, the National Information Centre, reported that the proportion of companies on the blacklist for “severely untrustworthy enterprises” nationwide between 2018 and 2019 dropped from 1.31 to 1.1%.⁵⁵ China’s most extensive blacklist, the SPC’s judgement defaulter blacklist, includes around 7.2 million citizens and companies as of 8 January 2022, increasing at a rate of approximately 750,000 citizens per year.⁵⁶

Among the most large-scale blacklists were the judgement defaulter blacklist (described above), blacklists for tax abnormalities, human resource arrears (such as failing to pay wages to migrant workers), and those related to medicine or food safety. The judgement defaulter blacklist commonly covered between 50 and 90% of all cases reported on the Credit China portals. For instance, in 2020, Putian reported 85,000 cases on its judgement defaulter blacklist, against 12,000 for tax violations and less than 2000 in all other categories combined. Because the judgement defaulter and tax blacklists cover a relatively narrow scope and are implemented mainly by only one agency, their mechanisms are relatively well standardised.

Outside a couple of well-standardised blacklists, implementation often remained lacklustre. In Kunshan, a developed city in Jiangsu wedged between megacities Shanghai and Suzhou, only 20% of the city’s departments had passed the internal evaluation of their credit mechanisms. 60% of departments had not implemented clear reward or punishment mechanisms. Only around half of the departments implementing penalty measures had also introduced legal remedies such as credit repair.⁵⁷

At these fringes, implementation quickly became prone to misuse or ambiguity. For instance, Fujian province publicised a redlist to reward famous provincial brands without any apparent relation to their creditworthiness or trustworthiness. Demonstration city Putian (itself located

in Fujian) operated a wholly unique SCS “whitelist” (白名单), a principle that did not appear in any provincial or national SCS regulation. Other cities have penalised citizens for online comments, for organising protests, or for resisting the implementation of a new language curriculum relegating the use of minority languages.⁵⁸ These ambiguous implementations were a symptom of the still vague understanding of the term “credit” and lacking guidance at this stage. Only starting in 2020 did central authorities outlaw some (but not all) of these practices.

EUROPEAN FIRMS ARE THE GOLD STANDARD OF CREDIT

As the SCS became infamous in Europe and Northern America, it quickly frightened companies of the potential impact on their businesses. In 2019, a report made waves in China’s international business and diplomatic community. It warned companies of a “digital hand” that would condition their market access and obscure the line between legal and illegal, compliant and noncompliant behaviour. I witnessed the launch of this report from within the diplomatic community in Shanghai. It landed on the desks of many foreign executives and high-ranking diplomats, and they all expressed profound concern over this new form of control.

Three years later, the business community in China has almost entirely forgotten the SCS. When I asked a high-ranked European business representative based in Beijing about his perceptions of the system, no one in his circles had any active recollection of it and how it could affect them. They had heard of it, of course, but that was all. Quickly forgotten were any fears they may have had. The Covid-19 pandemic in China, the slowing economy, and other regulatory changes like the new *Cybersecurity Law* and complex outbound data transfer regulations were far higher up the agenda.

As it turned out, most European businesses had relatively little to fear of the SCS. For one, the 2019 report grossly exaggerated the SCS’ design and aims. It most certainly was not a mass scoring system, like the report asserted, and authorities made very clear the system should only use coercive means to enforce violations of laws and regulations. Moreover, the same representative explained that European firms tend to be the gold standard of compliance and corporate social responsibility. SCS mechanisms only target a small group of severe wrongdoers. Ergo, most businesses would not be affected. In this light, it is unsurprising that few companies had any active knowledge about the system.

In the years following the report, I repeatedly investigated well-known European businesses' SCS records. To date, I have not found an example of a large European company blacklisted under the SCS. In one or two cases, I found companies had received fines displayed on their records but no blacklistings. There were also long-inactive and bankrupt companies that had failed to deregister from China. In response, authorities added them to the blacklist for "severely untrustworthy enterprises". That is because failure to comply with annual reporting duties for three years in a row would typically result in blacklisting. This issue would not be of concern to most companies.

On balance, European companies reap more benefits of the SCS than they have to fear it. Many find themselves on the redlist for exemplary compliance. As of January 2023, subsidiaries of German giants Volkswagen, Daimler, and Siemens all found themselves on various redlists—primarily those for taxation and customs. Redlisting was also the case for many American companies, such as the Chinese subsidiary of The Coca-Cola Company. Especially larger companies with dedicated compliance teams and close relations with local governments typically have little to worry about, at least from the SCS specifically. Compliance in China remains a daunting task irrespective of the SCS. From a business perspective, local regulations are vague and complex while remaining hidden in drawers. That means regular exchanges with the local authorities are crucial to learning what is acceptable and what is not. As noted earlier, the closer the relationship with the government, the lower the chance of blacklisting.

REPAIRING ONE'S CREDIT

China's authorities do not just want to punish wrongdoers. They also want to achieve a general decrease in regulatory violations and improve the "trustworthiness" of society. One of the solutions they came up with is to allow entities to "repair" their "credit" (信用修复). This idea emerged slowly in the years following the first formal experiments with the SCS, stemming from the realisation that companies and individuals should be able to rectify their violations and be removed from a blacklist. This way, the regulatory order is restored, and companies stop feeling the effects of penalties. Companies can also "repair" the information sharing of administrative penalties, even if the penalty did not lead to blacklisting.

Practically, entities typically have to supply evidence that they have corrected their violation. For instance, if a company causes environmental damage, they need to repair the damage and install systems to adhere to all environmental regulations in the future. Representatives may need to attend “credit training”, a symbol of the moral undertones of the system. In this training, representatives learn of relevant laws and regulations, the importance of integrity and trustworthiness, and more. Once all required documents are approved, authorities revoke the blacklisting and halt penalties.

Although credit repair dates back to the early 2000s, its frequent appearance in PRC policy documents is relatively recent. Until the end of the term of the *Planning Outline*, cities were not actively encouraged to develop such legal remedies. For instance, the establishment of credit repair mechanisms did not feature in the evaluations of demonstration cities until 2019.⁵⁹ Premier Li Keqiang did not mention credit repair in the State Council’s regular meeting readouts until 2020, despite his crucial role in directing the system. Therefore, practices and standards differ significantly, even if standardisation is slowly underway when this book hits the press. For instance, in 2020, news agency Caixin reported that credit training essentially made credit repair too easy: in some areas, companies just needed to attend a one-day training, often organised by third parties, after which authorities halted the blacklist.⁶⁰ Some fields may also be wholly ineligible for credit repair, such as (severe) violations in areas closely related to public health, like food and drug safety.

Entities applying for credit repair may also have to submit another tool in the toolbox: a credit pledge. The credit pledge (信用承诺) is a legally effective document where a company commits to uphold laws and regulations, abide by contracts, and pledges that they have corrected the penalty. If companies break this pledge at any time, they agree to be subject to even more severe penalties.

China’s authorities see the credit pledge as market self-regulation and part of the movement to streamline administration. The pledge replaces cumbersome administrative and supervisory procedures with an official commitment from the company, under the mutual understanding that a break of a pledge is of interest to neither the company (if discovered, penalties are severe) nor regulators (violations would disrupt the market

order). Pledges are also increasingly commonplace beyond the context of credit repair. For instance, companies can sometimes supply a pledge when applying for permits, so they can start work while waiting for formal approval.

EVALUATING SUCCESS AND CONCERNS: NOT BLACK AND WHITE RED

By the early 2020s, blacklists and redlists had become a fixed staple in the PRC's administrative system. By 2014, the SPC had only added 75,505 people to its *judgement defaulter blacklist*.⁶¹ In January 2023, a total of eight million people were on this blacklist concurrently, although the rate of increase had notably slowed down. Everything was slowly pointing towards consolidation, as also reflected in the NDRC's report of a *decrease* in blacklistings of companies.

Did blacklists and redlists achieve their goals? As with many things in China and beyond, authorities cherry-pick the best data that suits their agenda. In 2019, high-level NDRC officials commented that "remarkable results" had been achieved in establishing the SCS. They cited that nearly 10% of people blacklisted over tax fraud repaid their missed taxes, that the "bad credit event rate" (信用事件不良率) had decreased by 22.7%, and that the overall proportion of blacklisted companies had decreased.⁶² A year later, the SPC cited that nationwide a total of 7.51 million citizens had fulfilled their legal obligations and had been removed from the judgement defaulter blacklist to date, which amounts to about half of all blacklist cases.⁶³ See also Fig. 5.2 for a time-series overview of blacklistings and removals.⁶⁴

Judged by these metrics, blacklists have had at least a certain degree of success in coercing offenders to fulfil their legal obligations. This achievement is in the authorities' interest because they recover money and improve contract compliance.

However, it would be a mistake to solely attribute these trends to the SCS. In the over two decades that the SCS has now been in the works, authorities also rolled out myriad new regulations to help reduce violations. Scientific analyses from China that scrutinise causation on these issues instead of just bombarding readers with disconnected data points

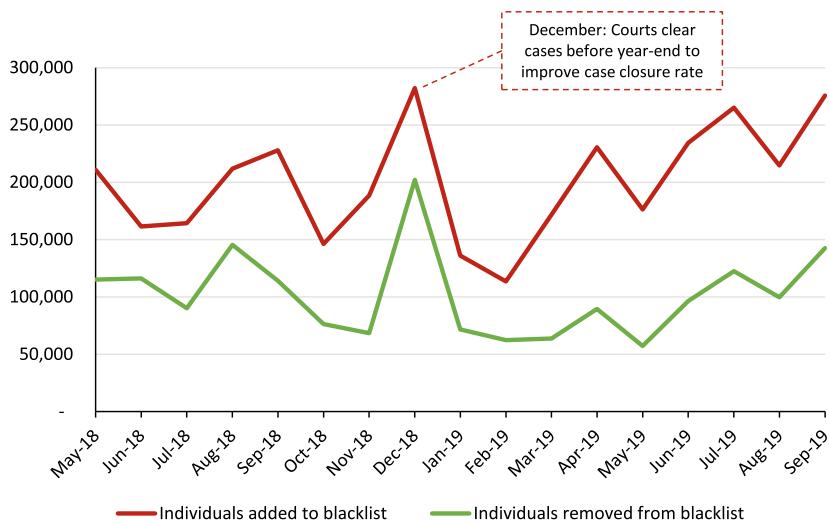


Fig. 5.2 Individuals added and removed from the blacklist per month, May 2018 to September 2019

are non-existent. Moreover, we do not know how they achieved these figures. As revealed in this chapter, courts can deploy blacklists indiscriminately. If politics deem it necessary, they may sideline citizens' rights to pad their statistics by using blacklists, even if there is no direct cause for this. The success of blacklists, therefore, remains not as clear-cut as the authorities like to suggest.

In summary, blacklists are analogue, human-driven tools that authorities deploy to enforce laws and regulations and penalise severe violations. They are the bread and butter of the SCS. On the one hand, this design ensures that only a small portion of citizens and businesses receive rewards or penalties. It also constrains the deployment of technology. On the other hand, it generates space for overreach and abuse of power, which also brought about the fragmentation discussed in the previous chapter. There may be some genuine positive effects on China's market economy. Yet, they also regularly undermine practices such as the rule of law.

NOTES

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CHAPTER 6

One Step Back to Put More Forward: The COVID-19 Pandemic and Its Aftermath

VIRAL ISSUES

The lockdown of Wuhan came as a shock to many in China. As little as a week before this, my colleagues and I in Shanghai seemed unfazed by the developments a thousand-or-so kilometres away. But on the 23rd of January, Wuhan was put under tight lockdown for 76 days. Other cities across China would quickly enter lockdowns, too: people worked from home, subway trains ran empty, and public life suddenly halted.

For the SCS, the COVID-19 pandemic proved a catalyst similar to the *Planning Outline* in 2014. It presented the system with new questions, some already lingering below the surface or in scholarly circles, that authorities suddenly had to address quickly. For over a decade, they targeted citizens and companies that did not repay loans or deliver on their contractual obligations. But what happens when citizens cannot repay their loans to do *force majeure* like a lockdown?

The flexible framework—or less positively, the excessively broad scope—of social credit came to the forefront quickly. How, for instance, could market regulators guarantee the quality of the billions of face masks suddenly high in demand? Entire factories were converted into assembly lines for protective equipment but ensuring that these supplies were safe to use remained a headache. And how could the authorities deal with malicious price hikes or hoarding of essential goods for personal profit?

Authorities quickly deployed new SCS mechanisms towards these means. Yet, could these rapid developments provide space for abuse?

This chapter maps how China's authorities found answers to these questions. They began with measures to prevent SCS mechanisms from backfiring against citizens during the pandemic. Soon after, they quickly rolled out more far-reaching plans to reign back the overly generalised notion of "credit". They temporarily put one step backwards but unveiled new programmes shortly after that will have a far-reaching impact on the regulation of China's market economy. The following sections discuss these in turn.

FLEXIBLE YET LEGALLY AMBIGUOUS

Within days of the Wuhan lockdown, authorities started to foresee issues and tweaked the SCS. It began within the domain of finance. On February 1st, the deputy director of the PBOC announced that they would temporarily stop including mortgage and credit card payments in the credit record of people affected by the pandemic.¹ Private financial credit scoring companies like Sesame Credit temporarily suspended financial credit ratings altogether.²

A few days later, President Xi Jinping proclaimed that authorities had to strictly enforce laws combating wildlife trade, price hikes, violence against doctors, refusal to comply with pandemic prevention measures, and counterfeit medical supplies.³ Xi did not mention the SCS explicitly, but the link was clear. The speech acted as a rallying cry for local officials to deploy the SCS' familiar mechanisms to the war against the virus.⁴

Within a few weeks, provinces and cities across China issued several directives and regulations. First, they made clear that any of the violations mentioned by Xi would be penalised heavily. In true SCS fashion, penalties for misbehaviour formed the most prominent part of these directives⁵ and around half of the provinces across China rolled out such measures.⁶ Second, they aimed to provide incentives to companies to assist pandemic-related efforts. Third and finally, once the situation in China stabilised and the virus was finally on retreat, they introduced new measures to crack down on companies that resumed production without proper prevention measures.

Authorities eagerly publicised these violations on social media and the Credit China websites to signal efforts to contain the pandemic

and warn citizens to comply with these regulations. One demonstration city, Anqing, explained one incident included in their blacklist for COVID-19-related transgressions in excruciating detail:

The culprit drove by a checkpoint but refused to follow the advice of party members on duty. Because a fence blocked the road, the culprit used a pair of pliers to cut through it, then threw it off the side. These actions bent the party flagpole on the fence across the road. The offender then drove over the flagpole, causing the party flagpole to be damaged. The damaged items were worth RMB 20.

Local authorities effectively hit the pause button on SCS enforcement to provide relief to citizens and companies. Shijiazhuang in Hebei province announced that to prevent “accidental injury”, missed tax or loan repayments would not count as untrustworthy behaviour.⁷ Jiangxi province halted all disciplinary action against companies affected by the pandemic altogether.⁸ The city of Yinchuan in Ningxia province set up a “credit repair hotline” for companies affected negatively by the SCS, allowing for more rapid relief.⁹ Documents issued by regions like Jiangsu, Shanghai, and more repeated similar provisions.

Relief measures went further than just halting enforcement. Authorities in various cities rolled out measures to incentivise companies to support pandemic relief efforts and offer a lifeline to these companies. These included special redlists for companies and individuals providing support or donating funds and supplies, which offered preferential treatment and simplified procedures during administrative procedures or additional policy and financial support.¹⁰ Banks and fintech companies were encouraged to provide loans to small and medium enterprises, who were the most fragile and hardest-hit parts of China’s economy.¹¹

On social media, citizens quite univocally supported these measures. Some unrepresentative social media polls suggested that perhaps as much as ninety per cent of Weibo users approved. On posts by authorities announcing blacklists for COVID-rulebreakers, the most popular comments expressed support for the measures and disgust of the offenders. Nonetheless, some netizens concernedly remarked that it had to be proven that these offences were intentional and malicious, not accidents.¹²

Despite the SCS’ apparent success in these areas, it also sparked new controversies that showed how ambiguous the system had become. The

first debate was over blacklisting citizens for not wearing masks in public places. An editorial by Chinese law professor Hu Honghong—issued by the authoritative state outlet Xinhua—noted that some areas regarded not wearing masks or playing Mahjong in public places as “untrustworthy behaviour”, that is to say, formal ground for blacklisting. She argued such provisions were overly broad, went beyond any reasonable understanding of “dishonesty”, and openly contradicted guidance by the NDRC. Instead, social credit penalties should consider the subjective intent of the perpetrator: authorities should only penalise citizens if there is clear malicious intent.¹³

Hu also signalled credit incentives for pandemic assistance were inappropriate, arguing these incentives should not become part of the SCS umbrella.¹⁴ For instance, there is a minimal relationship between one’s creditworthiness and the amount of volunteering work during the pandemic. Neither should pandemic assistance be a way to “buy” oneself onto a redlist or cancel out other violations. This concern proved acute: at least one city announced they would forget any past misbehaviour if they aided in halting the pandemic.¹⁵

Hu’s criticisms were right on the money. The SCS could never cure all ailments in China’s society and economy. Each ail has its own cure—a cure for all ailments is bound to fail. The “generalisation” of social credit served the short-term interests of some authorities, for whom the system served as a super-police. But from the perspective of central authorities and the SCS itself, it threatened everything it set out to achieve. To better regulate the market economy and crack down on noncompliance, it is barely relevant whether someone donated medical supplies to hospitals. Conflation could only create extra clutter in an already difficult-to-navigate system.

China’s public criticised local authorities for abusive and ambiguous usage of the SCS. In May 2020, the Municipal Health Commission in Hangzhou, one of China’s high-tech capitals, came up with a particularly devious plan: they wanted to morph the SCS and China’s ubiquitous health codes into a single “Personal Health Evaluation” (个人健康评价). Health codes had just become widespread as a key pandemic prevention measure, tracking exposure risk and controlling access to key public spaces. The plan was to turn all health-related information into a single score, based on time spent in bed, the number of steps exercised, the amount of alcohol consumed per day, etc. How this was supposed to work was never detailed further. Faced with a storm of backlash online, even from other public servants in Hangzhou, the Commission shelved

the initiative four days later.¹⁶ Similar public controversies occurred when cities tried to push through regulations threatening to blacklist and detain citizens refusing to take PCR tests twice.¹⁷ Faced with severe criticism on social media, authorities cancelled these plans too.

Public response to these issues is consistent with surveys conducted in China on support for the SCS. While there appears to be general support for the SCS—to some extent enabled by information deficits¹⁸ or a general lack of understanding of the system—citizens are concerned that rules are vague and ambiguous.¹⁹ If the metrics covered by the system are clear and logical—that is to say, there is a clear link to citizens' understanding of “trustworthiness”—and punishments are within reasonable bounds, there is support for the system. When it oversteps these societally accepted norms, public support drops. But suppose the system is deployed to address genuine issues in China's society and market economy against a small group of perpetrators. In that case, the public appears supportive of coercive measures such as blacklists.

THE CENTRAL GOVERNMENT PULLS IN THE REINS

The COVID-19 pandemic, especially its ambiguities, tapped into slowly growing sentiments in China. It became a pivotal point for the Social Credit System, just like 1999 and 2014 were. In 1999, a long period of socio-economic instability led to the system's inception. In 2014, the *Planning Outline* accelerated the development of the SCS but also brought about new challenges. Fragmentation, data islands, and in some cases, overimplementation and abuse became widespread. A group of scholars, journalists, and citizens started to question the current direction.

Legal scholars in China were the frontrunners in voicing these criticisms. As many lamented, “credit is a basket; everything can be put in it”. Put differently, social credit had become such an all-encompassing concept that it could mean whatever one wanted it to. Before the SCS, authorities could only punish citizens for violations of laws and regulations. Now, they just needed to label any undesired behaviour as “untrustworthy” to justify blacklisting. Jaywalking, failure to separate garbage,²⁰ quarrelling with neighbours,²¹ petitioning the government or failing to raise your dog in a civilised way would all become subject to penalties in different cities in China.²²

Many legal principles underpinning the SCS appeared unsound. Punishments were heavy, but legal safeguards remained ineffective or

lacking altogether. Superficially they may have made sense, but in practice, many principles could infringe on citizens' constitutional rights if safeguards continued to lag behind. Although authorities slowly developed some legal remedies in the years following the *Planning Outline*, credit repair (Chapter 5) remained fragmented and inconsistent. On multiple occasions, citizens found themselves on a blacklist without notification. According to a survey by China Daily, 83.9% of citizens were afraid of blacklisting without knowing.²³ The COVID-19 pandemic was the required high-profile case that put the need for more legal safeguards in the spotlight. It also showed authorities needed to consider the subjective malice behind a violation, not only the breach itself.

The first signs that the government was receptive to these criticisms surfaced in the summer of 2019 when a spokesperson of the NDRC announced it would take measures to prevent the generalisation and expansion of "untrustworthy behaviours".²⁴ Soon after, authorities, for the first time, included metrics on rights protection in 2020's *City Credit Status Monitoring and Early Warning Indicators*.²⁵ These indicators (among others) put forward the following requirements, noting cities that would not comply would lose points on their evaluation:

- Credit repair procedures must be transparent and handled within the appropriate timeframe. Municipalities must have an online credit repair portal or a dedicated offline credit repair window.
- Municipalities must construct an effective system to protect the rights and interests of individuals and companies.
- Cities must prevent abuse of credit mechanisms and the generalisation of "credit": Individual behaviour such as government petitions, running red lights, uncivilised dog-raising, unpaid property fees, improper garbage sorting, and more are not permitted to be included in citizens' credit records.

Although such indicators are not legally binding, they did have an immediate impact. Cities annually assign indicators to different departments that are then in charge of guaranteeing the highest possible score on that indicator.²⁶ For instance, Zhejiang province had maintained provisions that enabled public security agencies to blacklist citizens that did not comply with regulations for government petitions. After the release of the 2020 indicators, cities in Zhejiang issued formal documents that

abolished these provisions, explicitly referring to these indicators as the formal basis for the change.²⁷ The cities got the message: a lousy score on these indicators would make the city—and thus also the cadres in charge of the SCS—look bad too.

In the following months, central authorities would release more measures. At a State Council meeting in November 2020, Premier Li Keqiang ordered to “advance the construction of the SCS in an orderly manner”. When the premier says something has to be done orderly, the not-so-hidden message is that it is somewhat of a mess now. Li introduced six requirements for further development of the SCS: the scope of the SCS must be restricted, information sharing (such as naming and shaming practices) must follow legality and necessity, blacklists must only be applied in cases involving severe harm, punishments must be proportional and cannot infringe on citizens legal rights, credit repair must be improved, and information security and privacy must be prioritised.²⁸

Only a few weeks after Li’s speech, the State Council issued the catchily-titled *Guiding Opinions on Further Improving Systems for Restraining the Untrustworthy and Building Mechanisms for Building Creditworthiness that have Long-term Effect*.²⁹ It formalised the requirements the premier had put forward not long ago (more likely, Li had just signalled what was to come). A first in SCS history, this document was entirely dedicated to defining, delineating, and standardising the SCS. Its key message was that authorities could no longer invent blacklists out of thin air, and it called for caution in applying the SCS to areas where consensus was lacking.

Any local or departmental regulations that did not comply with this new guidance would be abolished. In earlier public drafts of this document, it set a clear deadline: the end of 2021.³⁰ This deadline did not make it into the final version of the *Guiding Opinions*, but authorities acted with urgency. At least a hundred ministerial and provincial-level documents were issued as follow-up for implementation, followed by another magnitude of documents by municipalities. The city of Hohhot in Inner Mongolia provided a practical example of this process in action:

Between January and February 2021, all localities and departments should sort out and evaluate their inclusion and sharing of public credit information in this field and the corresponding penalty measures for untrustworthiness. Those measures that have no basis shall be suspended.

Between March and September 2021, all localities and departments will update the criteria and procedures for the blacklists that need to be adjusted.

In October 2021, all localities and departments will abolish the collection and disclosure of credit information and the blacklists that have not been adjusted and updated. They will report to the municipal Development and Reform Commission with a summary of the clean-up and the specification of all relevant measures.³¹

This process is representative of that in other areas. Jiangsu province, one of the frontrunners in the system's development, essentially required all its departments to clean up their mess.³² Hunan's provincial government directed subordinates to immediately stop implementing measures with no legal basis.³³

More national measures would quickly follow to further nail down the direction of the SCS. Finally promulgated and released in December 2021 after a round of public comments, the *National List of Basic Penalty Measures for Untrustworthiness*³⁴ and the *National Directory of Public Credit Information*³⁵ did not include any new plans. Instead, they made clear what the no-go was.

The *National Directory* defines what information authorities can collect as public credit information and, thus, also what can lead to rewards or penalties. To do so, it uses a traffic-light system: a category for information that can be included, a category for information that can only be included under severe circumstances, and a category for information that can never be included under the SCS. Figure 6.1 provides a summary of this. It banned the usage of privacy-sensitive information and minor infractions such as garbage sorting. It clarified that traffic violations or small payment arrears would not lead to blacklisting unless the circumstances are severe. To illustrate, demonstration city Suqian explained that occasional traffic violations would not count as dishonest behaviour; authorities would only investigate those who commit more than 20 traffic safety violations *annually*.

Still, it remains relatively abstract—as is the default *modus operandi* for most of China's socio-economic policy—and primarily sets the boundaries for provincial and local authorities to develop their systems within. One local model is the draft catalogue of Beijing's government for company

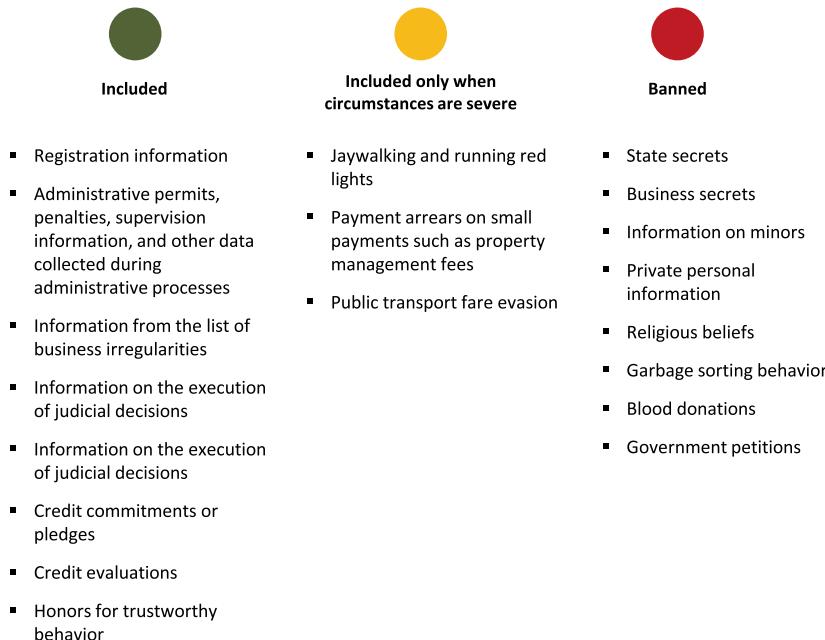


Fig. 6.1 The traffic-light system for social credit data

data (Table 6.1).³⁶ It is a relatively advanced model, as Beijing has consistently scored in the top three of China's *National City Credit Status Monitoring* rankings.³⁷

As the table shows, Beijing defines 290 types of public credit information for companies in 26 categories. But of these 290, only 42 are likely to be collected on all companies—the remainder is circumstantial. That is to say, they will only be collected if the company has, for instance, applied for any permits, violated laws or regulations, registered any intellectual property in China, or has tax or social security payment arrears. And of the 42 items collected for most companies, the majority pertain to basic registration information (address, name and details of the legal representative, etc.). Another crucial feature is that virtually all types of information are official records: administrative documents, patent filings, tax records, judicial rulings, etc.

Table 6.1 Overview of public credit catalogue for companies in Beijing

<i>Main category</i>	<i>Sub-category</i>	<i>Number of types of credit information^a</i>
Registration information	Basic identifying information	29 (21)
	Information on associated organisations	10 (0)
	Information on executives	5 (0)
	Registered intellectual property, including disputes and transfers	19 (0)
Public credit information	Information on qualifications	9 (0)
	Administrative permits	12 (0)
	Administrative penalties	17 (0)
	Administrative enforcement information	7 (0)
	Administrative levies	5 (0)
	Administrative supervision and inspections	6 (0)
	Administrative verifications/confirmations	6 (0)
	Administrative awards	14 (0)
	Administrative rulings	7 (0)
	Judicial decisions, arbitrations, and enforcement	13 (0)
	List for business irregularities	6 (0)
	List for severe untrustworthiness (blacklist)	28 (0)
	Tax payment information	10 (1)
	Social insurance information	21 (13)
Utilities	Social charitable activities	6 (0)
Evaluations	Utility payment information	8 (0)
Other information	Credit evaluation information	8 (7)
	Credit pledge and pledge performance	10 (0)
	Official contract performance	16 (0)
	Credit repair information	7 (0)
	Disputes	6 (0)
	Complaints	5 (0)

^aNumbers between brackets indicate the number of data points likely to be collected on all companies, i.e. non-circumstantial information

Beijing's catalogue is unique in the detail it provides on the data's formatting.³⁸ With this, Beijing's authorities hope to clean up the data, streamline data-sharing procedures, and prepare the dataset for data analysis. Thus, cadres must provide at least ten types of different information to add a blacklist record to the system. This data includes the responsible department, the reason for blacklisting, the names of the cadres responsible for the decision, and more. There is a pre-defined format for each category, such as a name of a maximum of thirty Chinese characters or a number of a maximum of eight digits.

The second document, the *National List of Basic Penalty Measures for Untrustworthiness*, formalises what regulatory sticks are available in the SCS-arsenal. As the document notes, the purpose is to standardise penalty measures: administrative organs are not permitted to expand the scope beyond national-level laws and regulations. Table 6.2 provides a summary of these measures. As it outlines, the consequences of penalties remain severe and, in the worst cases, can include practice bans, industry exclusions, or bans from exiting the country.

Standardisation remains an ongoing process. Empirics on the day-to-day changes are still lacking, not least due to the access challenges researchers of contemporary China face. Therefore, providing a detailed assessment of the standardisation campaign remains difficult. Nonetheless, these appear to be positive developments for the SCS, businesses and human rights in China. The system retreats to its core business: enforcing market-related laws and regulations. It also puts to rest myths about playing too many games or other silly behaviour affecting citizens' SCS-record.

LESS IS MORE

China's government actions to restrain itself and the scope of the SCS might appear to contradict everything we know about China: where Xi Jinping is increasingly centralising and increasing state power, expanding surveillance, and enhancing control. But this would be a misunderstanding of these developments. A moderate level of restraint can help China's authorities better exercise power through the SCS.

For one, standardisation helps integration. If every local government does its own thing—as had been the case up until 2020—it is impossible to knead it into a coherent whole. It means data sharing is impossible, bureaucratic turf wars remain unresolved, and everyone subject to the

Table 6.2 Summary of standardised penalty measures

<i>Targets</i>	<i>Description of violation</i>	<i>Punishment</i>
Market entities	Major violations of laws or regulations in a specific sector “untrustworthy” conduct	Exclusion from the market or industry
	Seriously untrustworthy conduct	Restriction of applications for government funding, awards, and public display of information on untrustworthiness Extra supervision in high-risk areas Inclusion in the lists of seriously untrustworthy for specific sectors
Individuals, legal representatives of companies, and directly responsible personnel for the violation	Judgement defaults	Restrictions on high-spending and “unnecessary” consumer behaviour
	Judgement defaults, tax violations, refusal of military service, custom fee violations	Restrictions or bans on exiting the country
Individuals	Major violations of laws or regulations in a specific sector	Professional bans or practice restrictions
	“untrustworthy” conduct such as evading military service	Bans from becoming legal representatives, members of the board, or senior management Restrictions on academic advancement

system does not know what to expect. It quickly becomes just impossible to control such a mess. But when the country unifies principles, data can be transmitted rapidly from the bottom of China’s bureaucratic pyramid to its pinnacle. Orders from the top can also be executed much more quickly, as everyone operates under the same system or assumptions. Integration also helps the central leadership keep tabs on local authorities’ performance, as effective digitisation facilitates internal supervision and helps regain central control over courts and other organs.³⁹

Second, restraint had become necessary to achieve the primary goals of the SCS. The system was supposed to tackle fraud and debt defaults and improve regulatory compliance. Instead, it was at risk of becoming cluttered with information on jaywalking, incorrect garbage sorting, and blood donations. Such information is useless for the authorities in charge of the anti-fraud department at the Taxation Administration or for the officers inspecting hygiene standards at a restaurant. But now, these authorities suddenly may have had to figure out whether a company was on a redlist because its CEO donated blood or if it had outstanding compliance records.

Less can be more. It does not detract from the possibility that the authorities *would* like to do something to reward garbage sorting or penalise errors. But the more generalised the SCS becomes, the less insightful its outputs become. Remember from Chapter 2 that credit systems in Europe and the United States started over a century ago as assessments of someone's "morality". The term "credit" only began to denote the narrow financial notion decades later when banks required a more neutral evaluation that they could deploy on a large scale.⁴⁰ The SCS appears to repeat this history to some extent.

Instead, authorities are exploring new ways to incentivise desired behaviour disconnected from the SCS. Some cities have rolled out "civilisation points" (文明积分) systems: citizens can collect points each time they sort their garbage, do volunteering work, or donate blood.⁴¹ They can exchange these points for minor rewards, but there are no penalties. In this way, each policy objective gets its own system.

Third, China's leadership must take public opinion seriously. In the fall of 2019, the National Health Commission unveiled a plan to formally grant SCS rewards for voluntary blood donations. Online, citizens resolutely voiced opposition to the project. One of the top comments on the online Q&A platform Zhihu criticised the plan as follows:

Can people undo any major violations simply by donating blood? If so, people will just use this to maliciously repair their credit [i.e., game the system]. And if not, what is the point of giving points in the first place? Second, is it discrimination against people who cannot participate in blood donation? Third, many provisions under the Blood Donation Law are currently not implemented. Does this mean we should blacklist the institutions responsible for implementing these provisions for failure to do so? Or should we revise the law so that we can trust the law in the first place?⁴²

This criticism was only one of many controversies that resonated with sentiments that the SCS had become a super-policing tool detached from its real goals. In the same comment section, others complained that “blood donations are entered in the credit reporting system, crossing a red light is entered, repeatedly resigning from one’s job is entered, everything has to be written into the credit system. I am afraid that banks will no longer look at credit reports, as credit reports are a mess”. In media editorials, one journalist referred to it as a “blacklist complex”—no matter what undesired behaviour authorities are looking to clamp down on, they must include it into a blacklist.⁴³

Moreover, these critical opinions found a voice within the system. Media articles were cross-posted on national and local Credit China platforms—the official SCS portals—and state-owned media outlets like Xinhua.⁴⁴ As noted earlier in this chapter, the SCS appears to enjoy some degree of public support in China. But issues like these undermine public trust in the system, which would defeat one of the system’s core ambitions: to improve trust in the government.

THE NEXT STEP FORWARD: CREDIT RISK CLASSIFICATION AND MANAGEMENT

The campaign to bring social credit back under the law saw the government take one step back now to take more steps forward in the future. The most significant step forward the government now aims to take is enterprise credit risk classification (企业信用风险分类). This endeavour seeks to develop a data-driven mechanism to assess the compliance risk a company poses to China’s market economy and is likely to become a hallmark feature of market supervision in China in the coming decades. This section provides a brief background to the initiative before discussing its potentially far-reaching impact on companies in China.

Already since the early 2000s, authorities in China have discussed so-called “hierarchical and categorical management” (分级分类管理). It means that regulators adjust scrutiny based on the field a company operates in (the category) and their past compliance with laws and regulations (the graded hierarchy).⁴⁵ The principle of the category is that a food production company poses a relatively high compliance risk, as unsanitary production standards could lead to mass illness. In contrast, a production company for classical music is not a particularly large risk. Worst case, people do not like the music. The hierarchical principle is that companies

with exemplary past compliance are supposedly less likely to break the rules in the future too.

In addition to making supervision more effective and reducing the burden on companies deemed trustworthy, this aims to address blind spots and vulnerabilities in market supervision. China's regulatory and enforcement bodies have typically been understaffed and unable to effectively enforce all the regulations. To illustrate, in 2005, researchers from Beijing's Renmin University found that China staffed only one food safety inspector per 40,000 citizens. In contrast, they showed that countries like Japan and the Netherlands had one inspector per 15,800 and 22,300 inhabitants.⁴⁶

Credit evaluations (信用评价) emerged from this in the early 2000s and would become a sectoral compliance assessment mechanism. Most initiatives worked like strikes on a driver's licence: companies would get points deductions for violations of laws and regulations. In some cases, they could earn bonus points by demonstrating exemplary compliance. Companies that committed too many regulatory violations would see their credit evaluation downgraded, leading to more strict supervision and sometimes targeted restrictions such as inclusion into a sectoral blacklist.⁴⁷

Like much of the SCS, authorities deployed these credit evaluations in myriad sectors like construction waste, environmental assessments, domestic services, the grain industry, and more. Also, like much of the SCS, its implementation was marred with problems. In 2004, the General Administration of Quality Supervision, Inspection and Quarantine urgently warned companies that industry associations and local departments had fraudulently used its name to conduct for-profit credit evaluations, supposedly telling companies about the investigation was mandatory and came with a fee.⁴⁸ It was such a common problem that one large municipality felt forced to issue "ten prohibitions" for credit evaluations, including that credit evaluation agencies were not allowed to accept bribes and could not pretend to be government departments.⁴⁹

In 2019, authorities formally proposed to combine different credit evaluations into one "comprehensive public credit evaluation" (公共信用综合评价).⁵⁰ It would rely on public credit information uploaded to the National Enterprise Credit Publicity System (NECIPS, Chapter 3) and serve as input for hierarchical and categorical management.⁵¹ Unlike some sectoral systems, outcomes were not supposed to be connected to

penalties but should be “comprehensively used” as a reference by bureaucratic entities and companies. In some provinces like Zhejiang, users can query these evaluations publicly. Nonetheless, the NDRC was clear that this initiative was still in a very early stage.⁵² It does not appear to be a particularly well-known tool either.

At about the same time, China’s central government re-shuffled its bureaucracy and formed the SAMR in 2018. In doing so, it merged different market supervisory departments into one super-watchdog, which also put the SAMR in charge of critical mechanisms of the SCS like the revamped blacklist for severely untrustworthy enterprises (市场监督管理严重违法失信名单管理办法).⁵³ Soon after that, the SAMR assumed leadership of its version of credit evaluations: the enterprise credit risk classification and management mechanism. First proposed by the State Council,⁵⁴ it was trialled in Hainan’s Free Trade Pilot Zone from 2017⁵⁵ and soon thereafter in other provinces.

This new mechanism will “re-engineer daily supervision”⁵⁶ in China and determine the scrutiny levels of enterprises China-wide. For instance, it will directly determine how likely authorities pick a company for random spot checks under the so-called “two randoms, one disclosure” (双随机一公开) mechanism. This mechanism randomly selects the targets and inspectors for company inspections, after which authorities announce the results publicly.⁵⁷ It will also determine how often a company receives regular inspections, and agencies are encouraged to consider using the assessments in other fields.

Like the initiatives before it, the SAMR will first aggregate public credit information from NECIPS. Such information includes inspection results, administrative data, violations of laws and regulations, public complaints (the graded hierarchy), and the type of industry a company is in (the category). It processes this into a score between 0 and 1000, with zero indicating the lowest risk, and then converts that into an overall classification between A and D. Companies classified “A” will be subject to drastically less supervision. In Henan province, A-ranked companies will have a twenty-times lower chance of being selected for random spot checks than those ranked D. For A-ranked companies, the SAMR will similarly reduce routine inspections.⁵⁸

In addition, the SAMR looks to gather data from third-party platforms to proactively identify risks and indicators of potential violations and aims to link affiliated companies in the risk assessment. For instance,

researchers affiliated with Shandong's provincial SAMR department indicated they were conducting trials with public opinion data supplied by third-party monitoring companies in 2021. This data will then be mined by either the provincial SAMR or by the monitoring company for clues about potential regulatory transgressions and to automatically dispatch inspectors on-site where necessary. Finally, they will include those signals in the risk assessment.⁵⁹

In Shandong, authorities developed the mechanism using a decision-making theory called Analytical Hierarchy Process (AHP, see Fig. 6.2). AHP breaks down a complex decision into sub-criteria and breaks these down further into additional sub-criteria. A group of experts then assigns weights to each criterion. In this way, they broke down the "credit risk" into about one hundred different indicators. The most important group of indicators was whether the company operates in a high-risk industry such as food production, heavy construction, and medicine. This indicator was given a weight of nearly 15% of the total score. Other important indicators were whether key personnel of the enterprise were on a blacklist (13.5%), whether there were irregularities in annual reports (11.7%), and whether any lawsuits had been filed against them in the past three years (9.7%). The irregularities were to be mined automatically via big data analysis.⁶⁰

In 2021, Shandong's authorities evaluated over 3 million companies this way. Their system ranked four in five enterprises in the hospitality industry and three in four education companies "D" (second-highest risk). Nearly ten per cent of mining companies were classified E (highest risk).⁶¹

On the surface, there are many similarities between earlier credit evaluation mechanisms and the SAMR credit risk classification. They rely on similar types of data (primarily public credit information) and have similar aims (to implement hierarchical and classified management). However, the new mechanism is likely to have the most significant impact. The SAMR has given it a clear timeline, unlike the relatively open-ended development of comprehensive public credit evaluations. By the end of 2022, provincial SAMR units must have completed the basic mechanisms. Around 2025, the system must be fully implemented, including predictive (lit: early warning) capabilities.⁶² The SAMR and their provincial counterparts have also very clearly prescribed how they aim to use it, whereas comprehensive credit evaluations do not have a top-down prescribed purpose.

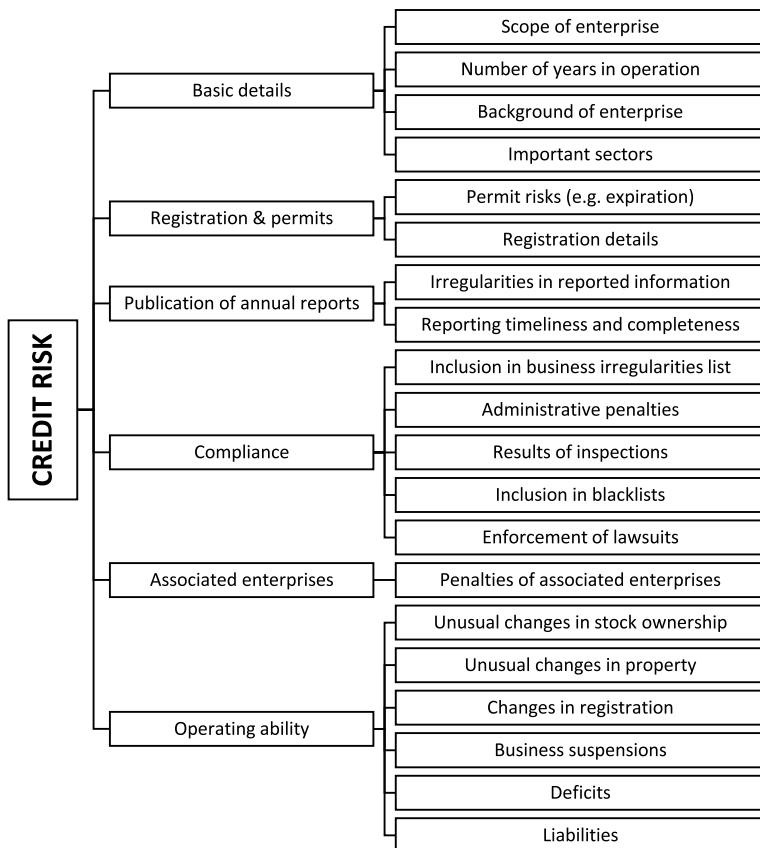


Fig. 6.2 Overview of indicators for credit risk classification in Shandong

Unlike most social credit mechanisms, which rely on vertical and horizontal integration (Chapter 4), the SAMR manages most data streams and processes independently. This feature is because only a few other agencies are required to supply data. Challenges immediately arose in those few instances where coordination outside the SAMR's vertical hierarchy was necessary. In Shandong, the trials with procurement of public opinion monitoring data only resulted in a couple of dozen data points. The system was also yet unable to draw from the SPC's database of lawsuits and court enforcement or the Ministry of Public Security's database of

public complaints. Finally, it could only find affiliated enterprises within the boundaries of the province; other provinces had not opened up their data channels.

The implementation of credit risk classification raises important questions for businesses. Currently, authorities only use the indicator to determine who gets supervised and when, but they have suggested considering it in other fields. The outcomes of the classification are not shared with the public, meaning they are veiled in mystery and have few checks and balances. Furthermore, it is doubtful how accurate the data signals are, like those dealing with public opinion or the age of the legal representative (part of the “background of enterprise” in Fig. 6.2). Public opinion could be skewed, such as in the cases of consumer boycotts against companies refusing to use cotton from Xinjiang. If authorities do not check these signals for relevance and accuracy, the system will essentially assume guilty until proven innocent.

Even if authorities only use signals as indications, in US contexts, they have already been proven to significantly sway the decisions taken by human supervisors.⁶³ When a supervisor inspects two identical documents or companies, whether their computer displays a large red “D” or a green “A” will influence how they look at that document or company. In this way, a violation can cause a vicious circle: a violation (or an erroneous data point) triggers more strict supervision, and this more stringent supervision means that what authorities may once turn a blind eye to due to a company’s previous good “credit” standing, they suddenly start to crack down upon, triggering more supervision, etcetera. This makes credit risk assessments one of the most important trends to watch as it is rolled out more broadly in the coming years.

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CHAPTER 7

Mythbusters: Anatomy of Social Credit Scoring

1984?

On the outskirts of Beijing, a server farm collects every little trace of data Chinese citizens generate in their lives. What they buy online, how long they play video games each day, and their search histories. Offline, surveillance cameras enabled with facial recognition track the activities of all citizens in real-time, combined with the ubiquitous Covid-19 health check apps that transmit their location data in real-time. Like in George Orwell's 1984, the only safe place is their bathroom. That is if they do not take their phones with them. In Beijing, Xi Jinping smiles: all is going according to plan...

This story is the myth of the Social Credit System, the elephant in this book's room. In the eyes of most of the Anglophone world, the Social Credit System appears as a system that scores and ranks the behaviour of individual citizens. It would use complex algorithms, ubiquitous surveillance cameras, and online chat monitoring software to calculate a score determining their place in society. One Dutch Member of Parliament—quite inappropriately—called it “the beginning of slavery”. Others compare it with the popular Netflix series Black Mirror or George Orwell's 1984. Today, many citizens in the United States and Europe see vaccine passports or contact tracing apps as a precursor to the “global social credit score” coming to your neighbourhood soon. When I searched for “social credit system” on YouTube in June 2022, the third

(!) search result was a video on how to hide your assets from this elusive global social credit score.

The sad reality is that this description of the SCS has gotten so out of whack, so deviated from reality, that when Chinese internet users learned of it, they turned it into a meme:

You open the “Credit China” app on your phone. The home page displays a large “eye” icon with the message “currently observing”, reminding you that your phone monitors everything you do. “Well done! Your credit has already surpassed 76% of citizens!” You are a second-order citizen. But soon after that, you receive a warning: a friend has reported they were very unsatisfied with you. When your score drops below 200, you become a “suspicious person”. After a few more negative run-ins, your score drops to zero points, and you get another pop-up: schedule your Crimestop appointment now, or the police will be at your doorstep in eighteen hours. Now you really have to be careful: if your score becomes too low, you will face the firing squad. Fortunately, there is a promotion for extra points: “foreign spies have increased in value; report now to receive prizes!!” Below, you can choose which of your friends to report. You just have to indicate if you have already shot them dead or if it still requires investigation.¹

In reality, anything even remotely resembling such social credit score does not exist, and it is highly improbable it will come to life in the future. On the contrary: there is good reason to believe the Chinese leadership would not even be interested in such a score. How can we say that with such certainty? And if that is really the case, how did the “live by the score, die by the score” myth emerge, and why is it so difficult to shake off? And why should we care—a good story is a good story, right? The answer is a cautionary tale for how we deal with technology and make sense of China.

This chapter takes readers on a magical ride through the mythical wonderland of social credit scoring. It maps how scoring became associated with the SCS, how the practice of social credit scoring has developed over time and provides an assessment of the role of scoring in the system. As the chapter’s title, “Mythbusters”, suggests, the picture presented in the paragraphs above is, at best, only tangentially related to the actual system. That does not mean the SCS is inherently irrelevant or benign, but that any discussions of it must be extremely cautious not to contribute to spreading harmful myths.

THE EMERGENCE OF THE MYTH

Before 2014, when the *Planning Outline* was released, practically no one outside China had ever heard of the SCS. Even in China, virtually everyone would return only a blank stare when asked what the SCS is. But this changed quickly in 2015 when an unofficial English translation of the new document circulated online. Local newspapers in Europe were the first to break the story, but it would not take long before the world's most prominent news outlets, like CNN, followed suit.²

Analysts speculated that all areas covered under the system would turn into one all-encompassing score. Such an ambition never appeared in the *Planning Outline*—in fact, not a single high-level government document ever mentioned any form of scoring up to 2016. Nonetheless, such speculation was not entirely unfair. Analysts referred to experiments such as Sesame Credit (see Chapter 2), tech giant Alibaba's credit scoring experiment. The blurred lines between private initiatives and the government made it difficult to see the forest for the trees. Statements made by government officials in China did not alleviate the confusion. Ominous-sounding statements such as “make the credit of everyone in society transparent so that the untrustworthy have nowhere to hide” readily tapped into mass surveillance concerns in Anglophone media.³

In the following years, speculations grew wilder. One city hinted that cheating in online games could become grounds for blacklisting, while Alibaba's technology director suggested people playing too many games might be seen as “less trustworthy”. There is no proof such mechanisms ever came to life. But soon, news outlets globally spread the news that playing too many games would result in points deductions under nationwide implementation.⁴

This process—abstract ambitions or local experiments speculatively taken out of context or sometimes even wildly extrapolated—is how the SCS rose to infamy. Popular articles and studies suggested that not visiting ageing parents or posting anti-government messages on social media would immediately drop one down the “social credit ladder”.⁵ Authorities and state media indeed discussed these at some point in time but never formally linked them to scores or developed them at a national level. Media discussed punishments such as bans from taking 1st class or high-speed trains, measures unique to the SPC *judgement defaulter blacklist* (Chapter 5), as if they were complete bans on all travel. Moreover, articles suggested these penalties would apply to *all* areas of the

SCS, not just the judgement defaulter blacklist. Needless to say, there is a significant difference between whether one is banned from travelling by high-speed rail for refusing to obey a court order or is banned from all travel altogether for writing one too many online comments criticising a government policy.

In many cases, developments unrelated to the SCS became erroneously conflated with the system. Analysts have regularly linked the SCS to the PRC government's crackdown in Xinjiang,⁶ where the United Nations High Commissioner for Human Rights confirmed that human rights violations occur on a significant scale and which may amount to crimes against humanity.⁷ However, surveillance systems in Xinjiang operate wholly separately from the SCS: the design principles, technical architecture, implementing authorities, and target groups are fundamentally different. Xinjiang is one of the regions that has dedicated the *least* political capital to the SCS thus far.⁸ To address surveillance in Xinjiang, conflation with the SCS can be nothing more than a stumbling block.

The myth was a perfect storm. Its emergence reflected widespread global anxiety about modern technology and (otherwise justified) concerns about China's ever-growing surveillance state and increasingly assertive international posturing. It coincided with, among others, the election of Donald Trump as US President and Brexit in 2016. It also came at a time when the democratic illusion of the internet—the assertion that the internet would bring freedom, emancipation, and democracy worldwide—started to fade.⁹ The image of a single score determining everyone's place in society was so powerful that everyone could relate to it somehow.¹⁰ Nevertheless, a fact checker would, at best, describe these portrayals as “mostly false”, as I shall illustrate below.

SOCIAL CREDIT SCORING IN PRACTICE—MORE MYTH THAN REALITY

Experiments with scoring under the SCS largely align with the three phases of the SCS' development that ran like a thread through this book. It started slow and focused on financial credit, followed by widespread experimentation and major public controversies, after which central authorities strictly restrained or shut down the experiments.

After the establishment of the SCS formally started in 2002–2003 (Chapter 4), different agencies expressed interest in certain types of financial credit scoring initiatives. This interest in scores is rarely surprising, as

scholars and officials in China had long framed the SCS as an extension of financial credit systems elsewhere in the world. They attempted to create an assessment of how likely an individual or company was to repay their loans. In other words, they primarily assessed financial elements unrelated to blacklist mechanisms.

Early Experiments with Financial Credit Scoring

In 2007, the PBOC started the development of a personal credit rating model, which they completed in 2010. This model was to be used by commercial banks for the assessment of users' loan repayment ability and had no relationship to one's behaviour. It included salary level, age, occupation, family size, credit card records, and other repayment records. This data is not too dissimilar from the FICO score in the United States. However, it does cover more privacy-sensitive indicators: FICO explicitly notes it does not consider that age, salary, and occupation, with the caveat that many lenders may request that information separately.¹¹ By 2010, the PBOC had valid credit data usable for credit assessments on around one hundred million citizens.

Provinces, too, made plans regarding personal credit scores. These initiatives combined FICO-style assessments with data on legal compliance. For instance, in 2004, the People's Government of Hubei Province called for the research and issuance of *Management Measures for Personal Credit Rating*.¹² This document is not available anywhere today; it is possible authorities only circulated it internally or never even issued it. Nonetheless, this document's title indicates that the provincial government planned to develop a rating system for individuals. Documents released four years later would clarify the types of information they envisioned to rate. In 2008, the province described the scope of personal credit information. In short, credit information only covered legally defined obligations such as contracts, loans, and legal compliance, primarily related to finance.¹³

More regions made similar plans for credit scores. In 2008, credit reporting institutions released a personal credit scoring system (个人信用管理评分) with (financial) information covering over nine million individuals.¹⁴ Once again, this system primarily covered credit information purely financially. There are no indications that it included more

subjective, behavioural data. Moreover, there were no automated penalties associated with the scores. At most, third parties could acquire these scores to assess the provision of financial products.

Blurred Lines and Controversies

By the early 2010s, this picture had become significantly more complicated. As the SCS developed, the lines between financial, legal, and behavioural/moral interpretations of credit—already vague from the start—became exceedingly blurred (see Chapters 3–6). Where credit ratings were initially only used in the financial domain, authorities soon started to think of ways to connect scores to more ambiguous fields.

Around the turn of the decennium, Suining County (睢宁县) in east China’s Jiangsu province launched an infamous rating system for its one million inhabitants. For context: given that China has over 160 cities with a population of over one million, Suining would not make it on most Chinese students’ geography tests. Its relative size would put it roughly on par with Hialeah (Florida, US), St Albans (Hertfordshire, UK), or Villingen-Schwenningen (Baden-Württemberg, Germany). Using a FICO-inspired scoring model, it classified its citizens ranging from A to D. According to reports in official Chinese media, it deducted points for running red lights and being behind on credit card payments. Even more ambiguously, it penalised petitioning to the government, causing disturbances, and “harming the functioning of Party and government organs”. In essence, Suining’s authorities saw the SCS as a one-size-fits-all tool for the enforcement of anything politically undesirable.

Suining’s initiative rapidly became controversial in China. Several media reports voiced serious critiques in the following years, calling Suining’s system “embarrassing”.¹⁵ They damningly compared Suining’s SCS to the “good citizen certificate” (良民证)¹⁶—a document the Japanese occupiers used during the Second World War to restrict citizens’ travel rights and access to government services. In essence, citizens saw it as a misuse of government power for their political interests. Was this really “credit rating” or “human rating”? The spirit of these criticisms is not too dissimilar from the criticisms voiced of the mythical SCS in Anglophone media. Moreover, they were re-issued by the People’s Daily—China’s most authoritative newspaper directly under the auspices of the Central Committee.

Suining was not an isolated incident: in 2012, members of the CPPCC proposed the construction of “integrity files” (诚信档案)¹⁷ and “morality files” (道德档案)¹⁸ as a solution to the perceived moral decay of society. In a news item by China’s national broadcaster CCTV, citizens expressed concerns over who would set the benchmarks for morality and that it would seriously affect the freedom and privacy of citizens.¹⁹ Online, others voiced similar critiques over privacy concerns, the inherent subjectivity of the criteria, and the immense costs involved in setting up such a project. Instead, a commentary proposed that this proposal had opened a different window: establishing morality files for government cadres.²⁰ It turned the CPPCC’s proposals on its head.

These examples show the great diversity in viewpoints on the SCS, even within China’s tightly regulated public opinion sphere. It is unclear whether Suining’s pilots were formally approved or sanctioned by higher-level authorities or how much support the CPPCC proposals ever had with the central leadership. In any case, there had been no publicly available, high-level policy document that even suggested the construction of scoring systems beyond the familiar financial or banking domains until 2016. Moreover, Suining became a negative role model for SCS implementation in later years.

Scoring ideas resurfaced after 2014’s Planning Outline (see Chapter 4). The most concrete indication of the central government’s early intentions on personal scoring is a vague call by the State Council in 2016 to “explore the construction of classified management and integrity score management mechanisms on the basis of personal public credit information”.²¹ The emphasis on “integrity” (*chengxin*) suggests that the initiatives focused on more behavioural indicators instead of merely financial ones. *Chengxin*-related aspects of the SCS also typically did not contain “sticks” for misbehaviour. Moreover, the call to “explore” indicates the uncertainty of the precise direction and provides leeway for local authorities to discard the idea of scoring altogether. Many of them indeed did, as will become clear later.

From 2017 onwards, more and more of the *Social Credit Demonstration Cities* (Chapter 4) started rolling out personal scoring systems, primarily as a moral publicity campaign. As this book hits the press, 20 of the 62 demonstration cities had implemented scoring systems—still a minority among this elite group of cities after over five years of work. Zhejiang province has the highest number of scoring systems active, partly

because it is the first province to offer a province-wide score that municipalities can use as a baseline for their local implementation. Notably, some provinces in China's developed areas have exactly zero demonstration cities with personal scoring systems, such as Guangdong (Fig. 7.1). This figure indicates the existence of such systems does not just hinge on the availability of funds and technology, as these would be available in surplus in developed cities like Guangzhou and Shenzhen.²²

Most of these scoring pilots were launched in 2018 and 2019 in the direct aftermath of the State Council's new document, formally issued in December 2016. Assuming that a simple scoring system (an app, integration with existing data systems, and a basic scoring mechanism) takes around one to two years to construct, it is a reasonable assessment that this call served as a direct trigger for these initiatives. In 2018 and 2019, the *City Credit Status Monitoring and Early Warning Indicators* also

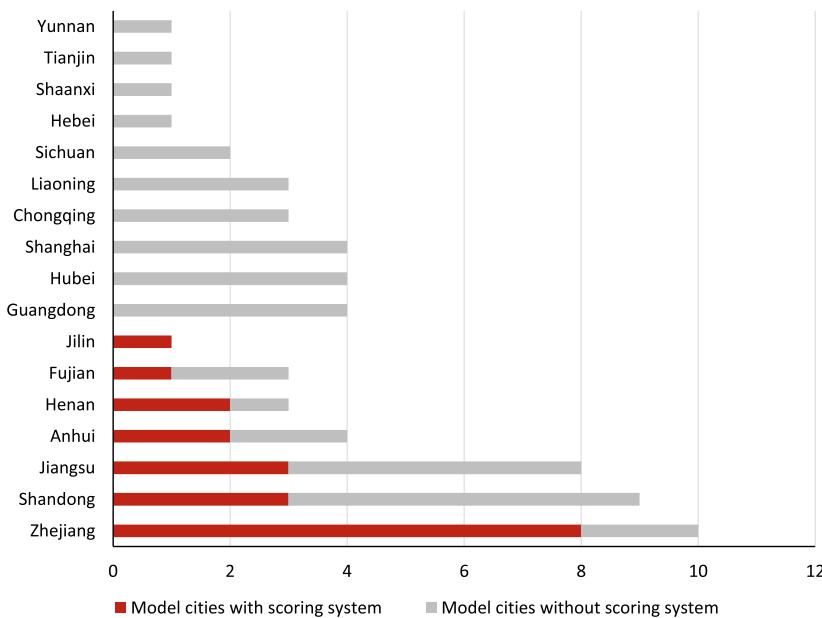


Fig. 7.1 Number of municipal scoring initiatives in demonstration cities, per province

offered one bonus point as an incentive for cities developing personal integrity scores.²³

However, the pace of new rollouts has decreased ever since: in 2021, only one new scoring system was announced in Taizhou (台州) in Zhejiang province—the “Harmonious Points” (和合分)—see Fig. 7.2. The lack of recent developments directly resulted from a lack of further impetus from China’s central authorities. After 2016’s *Guiding Opinions*, the State Council or NDRC has made no further calls to explore scoring systems. The 2020 version of the *Indicators* also no longer offered any bonus points for such scoring initiatives. To the contrary, authorities have clarified and restricted the scope for scoring—more on this further into this chapter. With this, China’s central leadership signalled that they have tried and learned it was not worth assertively pushing forward nationwide.

The vast majority of these scoring pilots offered only positive incentives. They used small rewards and encouragement to promote a specific set of values and “moral” behaviour but could not “bite”. Rewards varied from city to city, but some included small discounts on subway tickets, discounted entry to scenic areas in the city, or deposit-free borrowing at state libraries. Online, I witnessed a discussion on these scoring systems: “How do I raise my Egret Points?”, one asked about Xiamen’s rewards system. The first response followed: “What is it good for in the first place?

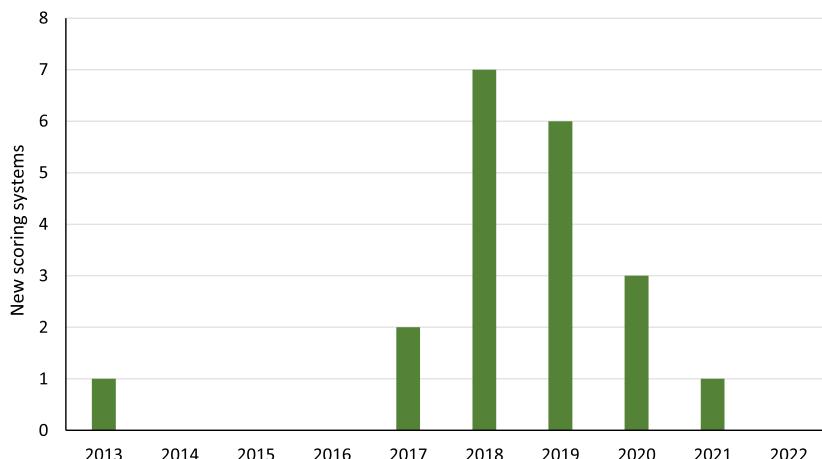


Fig. 7.2 Year of release for all known scoring pilots in demonstration cities

Unless you want to borrow books for free, it's useless". Yet in another instance in the city of Weihai (威海市), Shandong province, a job applicant's higher "Haibei Points" became the tiebreaker landing her the job after she tied with another candidate during the selection procedure.²⁴

Of these twenty demonstration cities, only a few initially implemented penalties for low scores. Moreover, researchers with inside knowledge have told me privately that authorities rarely enforced these. Such experiments mainly operated at the fringes of the system. Rongcheng—once again not a city most students would find on their geography tests—operated a scoring pilot (launched as early as 2013) and included penalties for citizens rated below 600 points (with a baseline of 1000). Such penalties included blacklisting, revoking any honorific titles or awards, bans from taking up employment in the municipal government, and restrictions on loans. To give a good overview of both the types of behaviour included in Rongcheng's score and the potential impact, the following violations would be required *within two years* to lose the required 401 points for such penalties (in this case, 405 points):

1. Having one's business licence/permit revoked by public security or market regulation entities (-100 points).
2. Violating laws and regulations in government procurement and bidding, property rights transactions, etc. (-50 points).
3. Committing parking violations more than two times (-10 points).
4. Spreading "fake news" (also a euphemism for politically-sensitive information) that leads to serious social unrest (-50 points).
5. Setting off fireworks in places or times where prohibited (-20 points).
6. Burning of garbage (-5 points).
7. Organising illegal gambling activities (-20 points).
8. The court orders an enterprise's legal representatives from leaving the country over outstanding debts (-50 points).
9. Disclosing corporate technical secrets or business secrets (-100 points).²⁵

Rongcheng was not entirely alone. Another demonstration city, Yiwu in Zhejiang province, operated a social credit rating initiative that could blacklist citizens for low scores. Activities that could lead to score decreases included administrative penalties, failure to pay fees and fines,

food and production safety accidents, crime, domestic abuse, fraud, and more.²⁶

What these examples show, however, is not a big data-driven, high-tech algorithmic scoring system, but rather a very analogue “rap sheet”. As criminal law and social credit expert Jeremy Daum commented on the Rongcheng case,

This scoring system is better understood as an expansion of a typical driver’s license point system to include other violations as well as traffic offences. The system doesn’t evaluate a mass of data to give out punishments, so much as create a record of what punishments a person has received. The consequences of a low credit score [...] are likely to be much less important than the primary penalties that resulted in that score.²⁷

Indeed, Rongcheng’s system is a far cry from a *technological* dystopia. Rongcheng’s system relies on over a thousand volunteers who snoop on their neighbours, collect notes, and pass these to the municipal authorities semi-regularly.²⁸ Of course, that only *increases* risks of abuse of power, corruption, and ambiguity rather than the opposite. Moreover, it violated the double punishment principle, essentially punishing people twice for the violations they incurred.

Ultimately, the examples such as those from Rongcheng, Yiwu, and Weihai are far from representative. Rongcheng is a relatively small city with low population density and high CCP membership. At best, Rongcheng could serve as a model for implementation in some other rural areas, but it would never provide a scalable model for future implementation.²⁹

In practice, authorities increasingly constrain scoring systems in scope, functionality, and level of digitalisation. The vast majority of scoring systems in the other demonstration cities only offer rewards for exemplary behaviour and are not connected to penalties. For instance, article 16 of Nanjing’s municipal *Social Credit Regulations* explicitly requires that “social credit scores cannot be used as a basis for penalties for untrustworthiness”.³⁰ Similarly, Jinan’s municipal regulations clarify that “the management of personal integrity scores should adhere to the orientation of incentives, and individuals should not be restricted from enjoying [...] legal rights on the grounds of low scores”.³¹ In practice, baseline scores are typically so high that citizens enjoy rewards without exemplary deeds anyway.

In other words, scoring systems—the few exceptions cast aside—essentially became voluntary loyalty rewards programmes like those on airliners: they offer minor rewards to enthusiastic users, but for most people, they are not relevant or exciting. There are no penalties, and rewards usually remain limited to deposit-free library borrowing or minor parking discounts at tourist sites. It does not suggest that these initiatives are wholly insignificant, but their role is limited to popularising and normalising “credit” discourse.

Whether this proved successful remains the question. Figure 7.3 highlights that in most cities, only a tiny percentage of the population has registered for their social credit scores online. This figure also only measures registered users, not actually active users. Furthermore, it is likely that many users work for government agencies where they could be coerced to instal such apps. On WeChat, a search for Hangzhou’s “Qianjiang Points” and Xiamen’s “Egret Points” returned virtually only results from state-affiliated media channels, hinting at little bottom-up interaction.

In the meantime, many scoring initiatives never materialised altogether. In the annual work plans of many provincial and municipal authorities, I

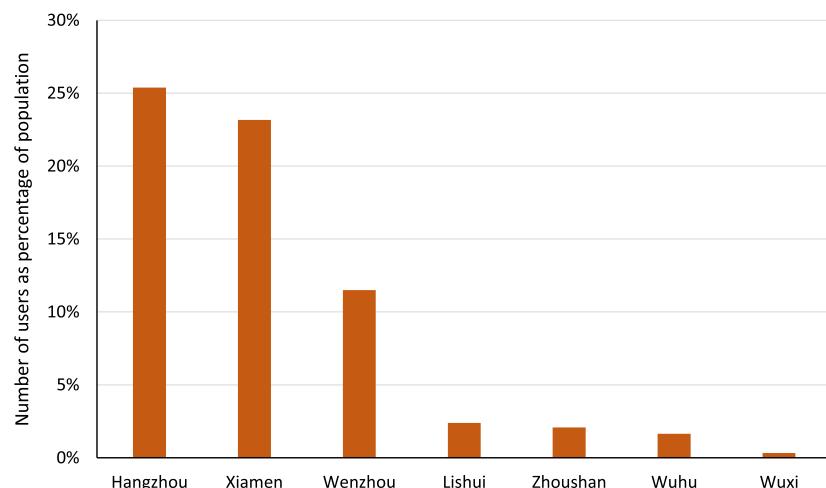


Fig. 7.3 Number of registered users for social credit scoring systems in demonstration cities as a percentage of the total population

found different calls to explore the construction of scoring systems that never materialised. For instance, Huizhou's municipal work plans in 2018 and 2019 called to “explore personal integrity points” (探索个人诚信分),³² but these explorations seem to have gone nowhere since. Cities like Hefei,³³ Huaibei,³⁴ and Chengdu³⁵ issued similar calls that have gone nowhere three years later.

Eliminating the Last Little Ambiguities

The final nail in the coffin of the superscoring myths came when the SCS entered its third development phase, from late 2019 onwards. As illustrated in Chapter 6, the central government had become increasingly aware of the challenges plaguing the SCS. The term “credit” had become a basket that could accommodate anything local governments wanted to crack down on, leading to abuse. This issue is equally apparent in the examples from Rongcheng’s scoring system earlier in this chapter.

By the turn of the decade, the central government had seen enough and started issuing rectification orders. The first such order came in July 2019 from one of the NDRC’s deputy directors, Lian Weiliang. At a press conference, Lian clarified that “personal credit scores can be combined with incentives for trustworthiness, but cannot be used for punishment”.³⁶ He further described that some localities had implemented “not very appropriate” measures, but suggested these had now been regulated and corrected.³⁷ Provincial and municipal regulations quickly followed suit. In 2021, Shandong’s *14th Five-Year Plan for the Social Credit System* explicitly indicated that personal social credit scores could not be used as a basis for penalties.³⁸ In 2022, Liaoning’s plan reiterated similar statements.³⁹

In 2021, two important new regulations further restricted the scope for social credit scoring: the *National List of Basic Penalty Measures for Untrustworthiness*⁴⁰ and the *Basic National Directory of Public Credit Information*.⁴¹ As already discussed in previous chapters, they also had significant ramifications for scoring practices. They restricted the types of information that authorities could use for scoring, banning the collection of data on religious beliefs, garbage sorting, jaywalking, government petitions, blood donations, and more. They also formalised that authorities can only punish violations of laws and regulations; localities could no longer invent “credit score penalties” out of thin air.

Even Rongcheng's infamous scoring system fell to the regulatory whip. Forced by these national and provincial decrees, it issued an update to its scoring system in 2021. It clarified that participation in the scoring system would now be voluntary. Furthermore, citizens that consented to so-called "personal integrity score management" would not receive any penalties if their score dropped too low; there were only rewards.⁴²

XI WOULD NOT CARE FOR A SOCIAL CREDIT SCORE

Why would China's government—infamous for, among others, implementing extraordinarily rigorous online censorship and mercilessly cracking down on protests—not embrace a social credit score? On the surface, such a tool might appear to be any dictator's dream come true. Yet, there are good reasons to suggest Xi would not care for a social credit score.

Imagine for a second owning a restaurant in a country that has implemented a social credit score. For simplicity, let's say that this score depends on two factors: the hygiene in your restaurant and your tax records. Imagine you consistently pay your taxes on time without error, so your tax-related score is the highest possible at 1000 points. But at the same time, the hygiene in your restaurant is appalling, and rats run amok in the kitchen. Thus, your hygiene score is 0. In the end, your comprehensive social credit score would reach 500. The issue is that this does not inform anyone about anything. The number "500" may suggest middling performance in all metrics, but no one should dare to eat sushi at your restaurant. All the while, whether you prepare sushi well is of no interest whatsoever to the tax authorities. The more factors authorities include in the score, the more complex such interpretation becomes.

A social credit score for individuals would be similarly useless. For cracking down on dissidents, data on jaywalking is not particularly useful. And for improving road safety, information on online comments is not particularly valuable either. Morphed into one vague super-score, even China's security apparatus would not see a use for it. This challenge is not even considering the immense challenges even the best sentiment analysis algorithms face when analysing content rife with irony and creative wordplays on China's social media platforms.

Algorithms are rather stupid. In our current era, digital systems are at their best when they have one narrowly defined task. From a technical perspective, it is not too troublesome to calculate a score to express

the likelihood that someone will pay their loans back on time. Similarly, using facial recognition-equipped cameras, it is not too difficult to catch someone speeding or crossing at a red light. But once all things are combined into one, it quickly becomes opaque. In the end, a social credit score would say nothing about anything. It would be worthless.

Not only would the score not say much about anything, but it would also be against the Party-State's interests. Most Chinese citizens have little experience with the much more coercive aspects of China's security system. Crackdowns in minority areas are far away from most citizens. Dissidents or human rights activists are targeted and put behind bars selectively, leaving most people unaffected and unaware. At most, some citizens may not have been able to find some information they were looking for due to censorship or had a social media post censored themselves.

China's authorities typically go out of their way to ensure censorship and surveillance remain as imperceptible as possible. It is easy to ignore millions of AI-equipped cameras on the street if you do not feel they are targeting you directly. As long as you are not lifted from your bed at night by security agencies yourself, they may even help you make you feel more secure. On social media, authorities increasingly turn to algorithms not to censor content but simply to make sure any sensitive information is buried deep below many pages of "encouraged" content. And does your friend receive your message containing a link to the New York Times, or does their messaging app intercept it without you knowing? Your app does its best to obscure this from you.

A social credit score would change all of that. Post a wrong message on social media? *Beep-boop!* You receive a pop-up notification that your score dropped below 500 points, and the police will shut down your internet. Accidentally cross at a red light? That's one strike too many for you, and now you will not be able to take high-speed trains again. Suddenly surveillance is no longer invisible: it becomes impossible to ignore. Even if the system did not provide real-time feedback, it would be very perceptible if your score suddenly dropped below a certain threshold and you lost access to all kinds of services. (And if it does not provide real-time feedback, how would it coerce people to change their behaviour?)

Any ambiguities, AI misjudgements, etc., would immediately result in public outrage: imagine what happens if someone erroneously deducts points for a post *supporting* the government rather than attacking it.

Even a 99% accuracy for AI-based systems—nothing but a pipe dream—would result in hundreds of thousands of misjudgements per day. A whole “social credit ministry” dedicated to fixing errors would be required.

Even ignoring errors, time and time again, research has proven that experiencing censorship can trigger *more* resistance, not less. In one controlled experiment, participants that encountered censorship suddenly sought out more information on that topic than if they had not experienced any censorship.⁴³ When Chinese censors shut down a relatively fringe feminist group advocating non-childbirth and non-marriage in 2021, the group suddenly went viral. Through censorship, more people learned of the group than otherwise possible.

Thus, a social credit score would harm China’s security apparatus more than such a new tool could make up for. Public security agencies already have many legal and extra-legal tools at their disposal that are much more coercive and secretive than a social credit score could ever be. Police invest billions in real-time positioning of “key populations” (重点人口), initiatives to predict risks to social stability before actual protests emerge, and the potentially hundreds of thousands of staff responsible for online content moderation. They combine this with millions of boots on the ground: Party cadres and police officers who can knock on doors and keep tabs on and sway people much better than a surveillance camera ever could. But these most coercive mechanisms are only deployed against a relatively small group of people that the authorities determine as a threat; they largely ignore the majority of “well-behaved” citizens.

NON-CREDIT SCORING IN CHINA

General-purpose scoring is worthless, but that does not mean that *specific purpose* scoring is too. Quite to the contrary, a well-designed score can be incredibly useful (and concerning). As discussed throughout the book, scores have been used for decades to express financial risk attached to borrowers or financial institutes. Letter-based grades (ranging from A to D) are also commonplace worldwide to express food hygiene and safety in restaurants: prominently displayed at the entrance of the Beijing restaurant from the introduction or accessible online for your favourite pub in the English countryside.

This is also the lesson China’s authorities have taken away: scores can be helpful if deployed for a specific purpose or domain. Simultaneously measuring if someone’s character is *trustworthy* enough to repay a loan,

fill in their taxes correctly, and separate their garbage correctly is complicated and ambiguous. Yet it is not as arduous to measure if someone has the *financial means* to repay that same loan. That is why the development of financial credit scoring and the SAMR “credit risk classification” (Chapter 6) continue rapidly, unlike “social credit” scoring.

Outside the context of social credit, other scoring initiatives also continue. In the previous chapter, I gave the example of “civilisation points”, where citizens can gain points for community service that they exchange for small benefits. More disconcertingly, officials in Xinjiang’s capital Urumqi collected data on ethnic minorities, such as how often they pray and visit mosques; whether they have travelled abroad, to what countries, and how often; and whether they have overseas contacts. Officials used this to classify citizens into one of three risk levels for “extremism”: “at ease” (放心人员), “normal” (一般人员), and “at risk” (不放心人员). Police agencies would then rely on this classification to conduct targeted surveillance.⁴⁴ The fundamental issue here is that laws in China understand extremism in an extremely broad sense. A visit to a mosque can be considered a sufficient warning signal of extremism for police agencies on the ground.⁴⁵

BUILDING A GOOD POLICY RESPONSE TO THE SOCIAL CREDIT SYSTEM

In 2019, the European Union (EU)’s high-level expert group on AI recommended the Union to “ban AI-enabled mass scale scoring of individuals”. By this, the group referred to normative citizen scores (rating “moral personality” or “ethical integrity”) in all aspects and on a large scale.⁴⁶ They evidently drew inspiration from social credit myths for this. The EU quickly followed up on these recommendations in a formal proposal for a regulation on AI. Social credit scores, such as those rating the trustworthiness of natural persons, featured prominently on top of the proposal in the highest risk category: “unacceptable risk”.⁴⁷ Although it did not mention social credit by name, it was unmistakably a response to (the EU’s perceptions of) these myths.

This continued in other settings. Practically on top of the inaugural US-EU Trade and Technology Council’s Joint Statement on AI, both parties expressed “significant concerns that authoritarian governments are piloting social scoring systems intending to implement social control at scale”.⁴⁸ The Council reiterated these concerns in its most recent edition

in 2022.⁴⁹ I have personally attended meetings with high-level government representatives who voiced similar concerns, regrettably despite factual basis.

To the surprise of most, China quickly pledged to ban its “own” social scoring initiative. The concerns over scoring cumulated in UNESCO’s General Conference in November 2021, when the UN body adopted its *Recommendation on the Ethics of AI*. China was a signatory of the recommendations, one of which read that “AI systems should not be used for social scoring or mass surveillance purposes”.⁵⁰

Although there is little harm in banning “social scoring”, it is easy to take a stand against something that does not exist.⁵¹ China’s pledge highlights the crucial problem: the EU, US, and UNESCO had been chasing a myth and developed policy recommendations and regulations purely based on this myth. Yes, China’s commitment to ban AI for mass surveillance—another part of UNESCO’s recommendations that China also backed—reeks of obfuscation. But where social credit scoring is concerned, neither the EU’s proposed regulations nor UNESCO’s recommendations would be able to address the “real” social scoring initiatives in China, not even the “extremism” risk rankings in Xinjiang. They also would not address any of the central human rights challenges part of the SCS today, especially those that persist beyond the realm of scoring.

The consequence is that the proposals miss the real lessons they should have taken away from China’s SCS. There are genuine reasons we might want to be concerned by SCS-related developments in China. This book discussed how the general application of financial credit scores can exacerbate socioeconomic discrimination (Chapter 2) or how blacklists—even without scores—can violate citizens’ legal rights if applied without safeguards (Chapters 4–6). Domain-specific scoring systems are rolled out rapidly in China and beyond: (financial) credit scores, environmental protection rankings, restaurant hygiene scores, extremism risk rankings in Xinjiang, and more. Public organs in China have long seen data protection as an afterthought. And China’s legal system—of which the SCS is an extension—can regularly be overruled by vested political interests.

To craft an effective policy response against social credit-like systems outside China, we need institutional safeguards that apply irrespective of the specific technical nature. Emerging technologies such as AI, deep synthesis, and blockchain raise new challenges and opportunities that need to be regulated. But we also need to consider techno-agnostic regulation.

AI does not inherently make a supposed “social credit score” more threatening. China’s surveillance system can be frighteningly effective precisely because of the vast human resources it can draw from. The analogue scoring tables in Xinjiang these grassroots actors fill in by hand need to be regulated just as diligently as the facial recognition cameras at the street corner, for they can violate rights all the same.

We also need to focus on transparency and accountability in the digital realm. For citizens across the globe, it remains exceedingly challenging to assess what data their government is gathering on them, how this might threaten their rights, and how they can challenge it. Some systems have become so complex that citizens need a double Ph.D. to understand them. When citizens challenge decisions by the state, they have to face an army of state-employed lawyers that serve the government first and citizens’ rights and interests second. Hence, there is an uneven playing ground; transparency and accountability are the only ways to even this. We do not need to go into the realm of conspiracy theories about a “global social credit score” to address the fact that mechanisms in the United States and Europe have inspired many problematic SCS practices.

SOCIAL CREDIT AS A MIRROR

The social credit saga should not only yield a policy response; it should also lead to reflection. Although some of the early speculation surrounding social credit scoring may not have been entirely unwarranted, the spread of the myth in today’s public discourse is unheard of. Any Google search yields hundreds of different headlines, some from years back, others perhaps as recent as yesterday.

Expert after expert hurried to comment on how the “social credit score” confirms their perspective on an increasingly totalitarian China. Many of them had not conducted any relevant research themselves and only drew from other media articles that they connected with their (otherwise typically well-founded) expertise in other domains. In this way, it became a never-ending cycle of Chinese Whispers. In this game, the first player comes up with a message that they have to whisper to the next person, this person repeats it to the next, and so on. The result is that the message becomes unrecognisably garbled along the way. In scholarship, many experts otherwise unengaged in research on issues related to domestic China suddenly jumped on the bandwagon.

This pattern is not exclusive to the SCS. In autumn 2022 alone, at least two high-profile exposés from otherwise very reputed institutes fell victim to poor translations or mistakes in interpreting Mandarin-language documents from the PRC. One ostensibly uncovered evidence of a widespread establishment of overseas police stations, but experts showed this evidence relied on serious translation and contextual errors.⁵² Another exposé supposedly found evidence of the “Covid-19 lab leak theory”, asserting that the coronavirus was leaked from the Wuhan Institute of Virology. However, experts quickly labelled it “to be charitable, a train wreck”⁵³ based on erroneous translations.⁵⁴

Fortunately, these and the social credit saga stand in stark contrast to the dozens of good-quality news articles covering China weekly. What nevertheless binds these myths together is a lack of either time or skills to accurately study, interpret and even take seriously original Chinese-language sources. Under Xi Jinping’s “securitisation of everything”,⁵⁵ access to China is becoming exceedingly tricky while the news value of China is higher than ever before. But despite this, PRC policy documents are rarely given the attention they deserve. In the field of China Studies, few broadly-accepted methodologies exist to dissect and analyse such documents.

We need to start asking the same questions about China that we ask at home and vice versa. In a famous article, Horace Miner ridiculed how easy it is to paint very familiar practices in a completely alien light, such as the practice of brushing one’s teeth and going to the dentist:

The daily body ritual performed by everyone includes a mouth-rite. Despite the fact that these people are so punctilious about care of the mouth, this rite involves a practice which strikes the uninitiated stranger as revolting. It was reported to me that the ritual consists of inserting a small bundle of hog hairs into the mouth, along with certain magical powders, and then moving the bundle in a highly formalised series of gestures. In addition to the private mouth-rite, the people seek out a holy-mouth-man once or twice a year. These practitioners have an impressive set of paraphernalia, consisting of a variety of augers, awls, probes, and prods. The use of these objects in the exorcism of the evils of the mouth involves almost unbelievable ritual torture of the client.⁵⁶

There is a risk that the same happens with coverage of China, where we frame practices in China as completely alien, even if they have deep roots in global practices. It is undoubtedly how the makers of the social credit

meme on Chinese social media (beginning of this chapter) must have felt when they saw how foreign media discussed Alibaba's Sesame Credit. Inversely, developments at home may continue to stay under the radar, whereas they would have immediately made headlines as a “dystopian nightmare” if they had happened in China. To make this point is not to whitewash practices anywhere in the world but to help guide us to analyse where the issues lie. If we want to fix problems, we must first get the facts right.

NOTES

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CHAPTER 8

The Future of the Social Credit System

A STRANGE LAW

While between 2020 and 2022 authorities made positive progress in clarifying the scope of the system and providing legal safeguards for core domains of the SCS, missing was the one law that could bind the thousands of different SCS documents and subsystems together. A *Social Credit Law* had been on the NPC's legislative agenda for at least five years, but progress had been slow. By 2018, the NPC Standing Committee (NPCSC) had classified it in the most fledgling category of its legislative plan: "legislative projects without complete legislative conditions and for which continuing research and discussion are needed".¹ In June 2020, one delegate to the NPC noted that it was necessary to "set up the Social Credit Law as quickly as possible",² and in December of that year, the NDRC internally circulated a draft of this law to solicit opinions from relevant departments and localities.³

Contents as to what might be in the law were kept tightly under wraps, but it was clear that work continued behind the scenes. By December 2021, Anhui's provincial government already started drafting local implementation measures for this upcoming law.⁴ In June 2022, Hunan's provincial transportation department reaffirmed that central authorities were accelerating legislative work for the bill.⁵

Nevertheless, it was odd that it took so long for this law to materialise. Many observers I spoke with had expected the 2014–2020 *Planning*

Outline to cumulate in the release of the law. But come fall 2022, no sign of the law appeared—despite over twenty years of work on the SCS. Like much of the SCS, it seemed to run into roadblock after roadblock. Legislators acknowledged the complexity of social credit legislation due to its immense scope as early as 2016.⁶ With so many departments involved from the top of China’s bureaucracy down to county-level governments and all private companies affected, there is a great diversity of interests to navigate. This complex negotiation between interests and policy priorities inherently slows down the drafting process of the law. To illustrate, in October 2020 the Social Credit Law was the second most commented-on law on the agenda of the NPC’s Finance and Economics Committee (财经委).⁷

But then, on 14 November 2022, two months before this manuscript’s submission, the NDRC dropped a bombshell: a draft for a *Law on the Establishment of the Social Credit System*.⁸ This was a very odd document. Colleague Jeremy Daum described it as a “‘franken-law’ mismatched in content, style, and purpose—kind of like the SCS itself”.⁹ For one, it was not a true *Social Credit Law* but a law on the system’s establishment. Its hundred-plus articles constituted an abstract plan sprinkled with a few definitions here and there to make it pass as a law. It outlined many priorities for further development, only vaguely connected by the overarching principle of “compliance”, and referred to demonstration experiments that still needed to provide lessons for the system’s future. If the system was still a work in progress, this law did not appear particularly appropriate at this stage.

The decision to release the draft despite these issues reflects a patch-work approach. As illustrated in the previous chapters, a long-standing criticism of the SCS was that it lacked a sufficient legal basis. Definitions of key terms had been vague, which created space for local overreach and abuse. The SCS could turn into a “super-police”, enforcing any type of undesired behaviour irrespective of the link to “credit” or the actual severity of the misdemeanour. The document felt like a mere attempt to check some political or institutional box in response. It appeared to say: “You tell us there is no legal basis? Here you have a law. Will you now shut up please?!”.

The result was deeply unsatisfactory to SCS observers worldwide. It did not stipulate anything not already regulated in one of the many recent documents on the system. The draft just copy-pasted bits from those.

Why did it need convoluted extra provisions on cadre evaluation or judicial work when there are already plenty of specialised regulations and laws on those? The draft also wasted nearly half of its hundred articles on provisions related to planning, leaving it very short on the actually necessary regulation. For instance, it only dedicated article 98 to credit repair, whereas a “good” *Social Credit Law* could reasonably dedicate an entire chapter (usually around 10 articles) to this.

The need for the planning provisions was highly questionable, as the Central Committee of the CCP and the State Council had jointly released a new SCS plan not more than a few months back.¹⁰ This plan introduced what was going to be a core future aim of the SCS: to create a regulatory and compliance environment conducive to the transition from a low-value-added, export-driven economy to a “high-quality” and domestic consumption-driven economy. None of the plans in the new draft law added anything new to this.

The biggest issue was that it failed to distinguish clearly between the aspects under the three-dimensional SCS umbrella. For years, SCS planners had obfuscated the boundaries between credit reporting (*zhengxin*), credit in China’s interpretation as regulatory compliance (*xinyong*), and integrity in the moral sense (*chengxin*). But this was changing, and since late 2019 authorities started to delineate boundaries between the three facets. Credit reporting slowly disappeared from most SCS coverage and received different regulations and planning documents. Provincial *Social Credit Regulations* since 2020 almost exclusively covered the dimension of regulatory compliance.¹¹ This clarity was welcome since it offered clarity and avoided unnecessary conflation. Even for the authorities, it should have been a positive trend: systems work better when they have one narrowly defined task, rather than a dozen loosely related ones.

The draft law threatened to upend this. On the positive side, it did stipulate that “credit information” is about legally effective obligations like contracts, loans, debts, and regulatory compliance. It would not be confused with political surveillance or moral evaluations, at least not for anything with teeth. But the crucial step back was that it completely failed to distinguish between financial “credit reporting” and regulatory or compliance-related “credit”. It either suggests authorities remain confused and uncertain about the exact delineation between or are actively trying to merge the two. Neither explanation can be entirely ruled out: the continued mess would be very on-brand for the SCS and this law more precisely, while technocratic ambitions to merge more data sources

would be on-character for China's political system. Either way, it remains doubtful whether this will benefit the system's efficacy, and the criticisms of the draft may mean it will be shelved or substantially edited in coming rounds.

FUTURE PRIORITIES

Social scientists are notoriously bad at future predictions. Fortunately, analysts of China's policy process do not have to read the tea leaves; authorities across China publish myriad policy documents each week that tell us in broad strokes what the key areas to watch going forward will be. Supported by the chronicle of the past twenty years of SCS development in China presented throughout this book, we can make reasonable scenarios for how these ambitions may play out.

Most importantly, the system's general focus will remain consistent. It will continue to focus on financial creditworthiness and regulatory compliance. The boundaries between the two will still have to be clarified or dissolved as a whole. In either case, both will continue to be associated with the SCS for years to come. That is for the simple fact that so much political capital has been dedicated to this direction that undoing this will require a landslide change: thousands of policy documents and corresponding systems would need to be undone or amended.

A moralising discourse will continue to surround the system, but the actual inclusion of data on individual behaviour, political preferences, or social interactions should remain minimal. Regulations over the past three years have clarified that anything with teeth must have a clear basis in official documents. The draft law also stipulated that credit information is related to "creditor rights and debts", "performance of obligations prescribed by laws, regulations, and effective legal documents" including contracts and pledges, and "information on administrative permits, qualification levels, honours, and commendations".¹² This clause leaves no space for the quirky inclusion of individual behaviour. Because so much political capital has been dedicated to this, it is unlikely that this will change anytime soon. Moreover, Chapters 6 and 7 have illustrated that it is also of interest to the authorities to restrain the scope: an overly complex system would become so opaque, its outcomes become next to worthless.

As the economy develops and changes, so will the SCS. As highlighted in Chapters 2 and 4, the SCS emerged as a response to a turbulent financial environment and regulatory problems like fake merchandise. Under pressure from food safety scandals, it morphed into the domain of food safety supervision in 2004. In 2014, the *Planning Outline* envisioned it could become a super-enforcer in almost all regulatory domains. More recently, in 2020, the SCS became a tool to assist in managing the Covid-19 pandemic (Chapter 6). The SCS is a toolbox, which makes it rapidly adaptable to new developments. Authorities just need to issue some quick guidelines, open a new subsection on their Credit China portal, and a new blacklist is ready for operation. When new regulatory concerns emerge in China's future economy, authorities will also deploy the SCS to address these—like it has done on numerous occasions in the past.

Punitive mechanisms under the SCS umbrella will remain human-driven. The fundamental design of the SCS limits the scope for automation. Any penalties must be related to violations of laws and regulations. Establishing these violations requires human intervention, as article 41 of China's *Administrative Punishments Law* requires evidence of violations detected by digital tools to be verified by human administrators.¹³ China's courts and administrative organs are certainly making efforts to digitise case handling and processing, but automation is still very far away.

Nevertheless, China's authorities will gradually seek to improve the standardisation and digitisation of the system. Both have been core ambitions practically from the start but never realised. The immense scope of the system and agencies involved in its establishment hinder any rapid move towards a well-standardised and high-tech system. Therefore, standardisation and digitisation initiatives will remain slow and far from uniform.

Digitisation initiatives may especially come to the forefront in the form of the SAMR credit risk classifications (Chapter 6). This initiative includes plans to mine public opinion data and annual reports by companies for clues of regulatory violations, which will (at least initially) primarily be used to dispatch supervisors to conduct closer inspections. The aim is to prevent harm before it materialises. Still, examples from other countries suggest they can disproportionately harm underprivileged citizens (Chapter 2). There, biased risk classified citizens as potential fraudsters and became a self-fulfilling prophecy. Function creep, the process where a mechanism in one domain progressively evolves and morphs into more fields is an especially key development to look out for. Nevertheless, the

few public examples of the SAMR credit risk classifications have shown that data-sharing bottlenecks remain.

Equally reflected in the SAMR credit risk classifications are the increasing ambitions to gradually morph market and public credit information. This ambition is supposed to go both ways. Commercial platforms like Qichacha are already actively drawing from public credit information to provide regulatory information on companies. Government institutions should also increasingly use data supplied by industry associations or platforms and public opinion monitoring companies to assist their regulatory duties. Although market credit information cannot serve as legal grounds for blacklisting, there are risks if the administrative use of this information lacks a solid regulatory framework. For China's government, regulating the use of market credit information by state agencies should be high on the agenda.

Credit risk classifications point towards the development of a more holistic supervisory system. China's market regulators do not just seek to penalise offenders but also ensure the violation is detected as early as possible or prevent it from happening altogether. They describe this as a regulatory chain: from ex-ante ("before the event") regulation to during-the-event and ex-post ("after the event") supervision (事前事中事后全链条监管). By late 2022, such principles have already been conceptualised for fields like environmental protection, road and maritime traffic safety, efforts to combat unfair competition, the platform economy, e-commerce, and more.

Especially as supervisory practices evolve into predictive approaches, we must consider the risks and implications of unequal treatment and abuse. China's government, like many other European and Northern American governments,¹⁴ believes that socio-economic issues can be fixed by technical solutions like more data and better predictions, creating a system of governance by numbers. But data is never unbiased, and what to measure is inherently political. Algorithms typically measure metrics (like "risk" or "trustworthiness") via proxy, and no proxy or combination of proxies is completely unbiased or accurate. Just like the examples from the United States and Europe described in Chapter 2, it is not unreasonable to expect significant numbers of people or companies to end up on SCS-related warning lists because of inaccurate data or poor data-sharing systems. Chapter 5 already showed the example of a child kicked from their private school because a parent was on the judgement defaulter blacklist—even

though this parent had no custody over the child and had not been in contact for years.

These risks are exacerbated by another priority: the fuse of market and public credit information. This has emerged as a new priority since the start of the 14th Five-Year Plan, and at least ten local plans have referenced this ambition.¹⁵ They did not provide details, but the SAMR's intention to use data by public opinion monitoring companies is one example of this development. Since market credit information is poorly regulated (Chapter 3), it can come in tension with safeguards and legal processes in other aspects of the SCS. Taken together, these questions should be the core of future research on the SCS.

In the coming years, China's social credit will gradually disappear from the headlines in mainstream news outlets as narratives on fictional social credit scoring become exhausted. Yet, the notion of social credit scores will continue to capture the imagination of many as new technologies like AI and big data continue to shape public dates across the globe. As this book as shown, this does little to help us understand the real risks of technology to human rights in China or abroad. While our discussions on tech in China remain overshadowed by largely fictional scoring, we ignore real threats of surveillance and the SCS to precisely those people in China. And when we use the SCS to invoke the image of a technological danger at home, we waste precious resources regulating thin air and harm our capability to address much more real problems. A fact-based narrative is key, and I hope this book will come to mark a start towards this.

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