

THE BIG PICTURE

Who's Behind the Clouds?

Cloud computing services have leapfrogged into a massive industry. Who are the players in China?

BY HANNAH REALE — DECEMBER 13, 2020



Alibaba's Zhangbei data center in the Hebei province, pictured in 2016.

Credit: *Imaginechina* via AP Images

Major internet companies like Amazon, Microsoft, Google, and Alibaba have become global leaders in the multi-billion dollar cloud computing industry that, until recently, existed as barely more than a thought experiment. Now, it's a \$33 billion industry — every quarter.

Chinese regulations require foreign firms operating in China's cloud market to partner with a Chinese company, so Amazon and Microsoft — global leaders in cloud computing — have set up joint ventures with two Chinese firms: Beijing Sinnet and 21Vianet.

Cloud services are also a tricky area for cybersecurity. Concerns over snooping and stealing drive the global conversation as the industry has exploded over the last decade and a half. In early December, the Trump administration was [reportedly considering](#) blocking foreign cloud companies from operating in the United States.

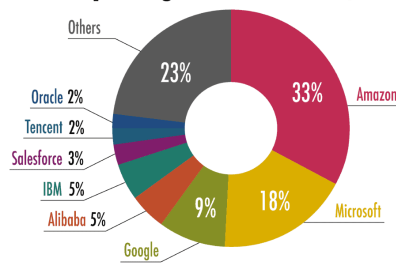
This week, *The Wire* looks at the biggest players in the global and Chinese markets to see who's providing the cloud infrastructure, and who's financing it.

China and the World

Amazon is a Goliath in the cloud sector. Amazon Web Services (AWS) continues to dominate the global market, occupying a third of the global market share. It was founded in 2006 and is a longtime leader in the field.

Spending on cloud services continues to grow, which has only accelerated by Covid-19. A December analysis from Synergy estimated that \$1.5 billion of cloud expenses last quarter were related to the pandemic, possibly because of expanded work-from-home options that require remote access to company materials.

Global Spending on Cloud Services, Q3 2020



The third quarter of 2020 brought about \$33 billion in cloud infrastructure services. Synergy estimates that \$1.5 billion of all Q3 spending could be Covid-19-related expenses.

Data: Synergy

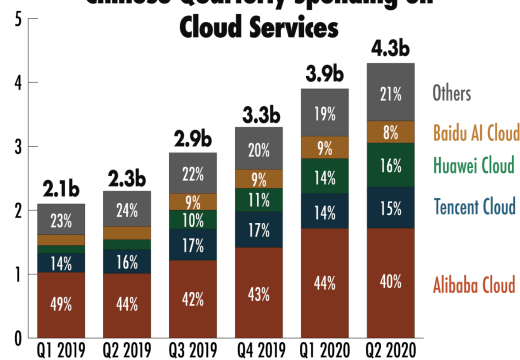
Although Amazon and Microsoft dominate the market for cloud services, China's highly regulated market makes it difficult for foreign firms operating there. As *The Wire* [reported in November](#), rules put in place in 2016 [effectively force](#) companies operating in China to store their data locally, and U.S. cloud computing companies are required to form a joint venture with a domestic partner to operate in China.

But those challenges haven't deterred firms from entering China's fast-

growing market. Quarterly spending on cloud services in China has more than doubled since early 2019, according to estimates from Canalys, reaching \$4 billion for the first time.

China's biggest cloud computing firms are its internet giants. For example, Alibaba's cloud service operations, run through a subsidiary called Aliyun, is the market leader with a 40 percent share of the market, followed by Huawei, the telecommunications giant, and Tencent Cloud, a division of the internet behemoth Tencent.

Chinese Quarterly Spending on Cloud Services



Quarterly spending on cloud services in China more than doubled from the beginning of 2019 to mid-2020.

Data: [Canalys estimates](#)

The Partners: 21Vianet

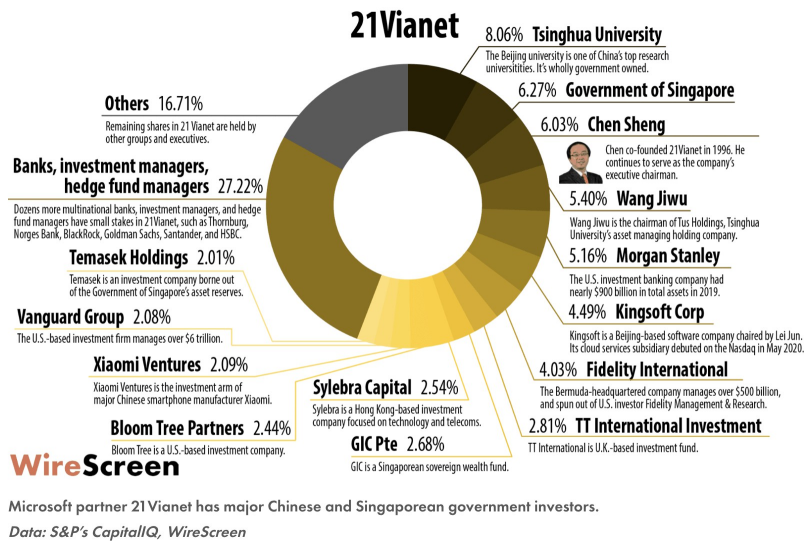
Microsoft's cloud services partner in China is 21Vianet Group. The Nasdaq listed firm, which at one time had a partnership with IBM, is now partnering with Microsoft's Azure to offer cloud services and data centers. The company also provides VPN business services in China.

It provides cloud services and data centers to clients such as Alibaba and state-controlled Everbright Bank. The company also works closely with state-run telecommunications providers China Telecom and China Unicom, who provide data centers and cables, according to [21Vianet's annual reports](#).

21Vianet was founded in 1996 by Chen Sheng, who studied electrical engineering at Tsinghua University. As of [the end of 2019](#), the company had \$800 million in assets. Today, it's valued at about \$3.7 billion on the Nasdaq Stock Market.

The company has seen several high-profile financial successes and investments. In early 2011, the company raised \$195 million in an initial public offering on the Nasdaq Stock Market. More recently, 21Vianet's stock soared in June after the company announced that the American investment firm [Blackstone agreed to invest \\$150 million](#) in the company.

Its ownership shows significant Chinese and Singaporean government investment, as well as shareholding by Chinese tech firms and global banks and investment managers. Tsinghua University is the company's biggest shareholder. And Chen Sheng — also known as Josh Chen — owns about 6 percent of the company. See the full breakdown below.

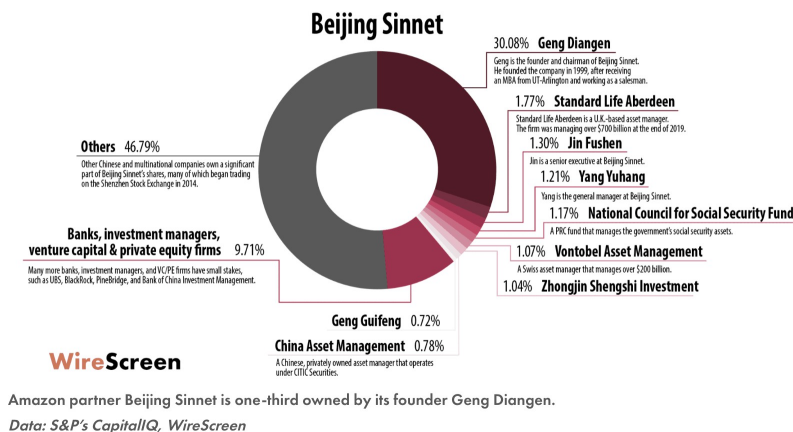


The Partners: Beijing Sinnet Technology

[Beijing Sinnet Technology](#) was founded in 1999 by [Geng Diangen](#), who earned an M.B.A. from the University of Texas, Arlington. According to [Forbes](#) magazine, Geng worked in sales at a crafts import-export company in Beijing in the 1980s, an electronics firm and then in telecommunications before founding Sinnet. The company, which went public on the Shenzhen Stock Exchange in 2014, formed a joint venture in China with Amazon Web Services in 2016.

Amazon initially entered China's cloud services market in 2014, but after Beijing tightened its cloud regulations Amazon was forced to find a joint venture partner. It selected Beijing Sinnet, and to comply with the government's increasingly stringent regulations, was forced to sell [\\$300 million of its physical assets in China](#) to Sinnet in 2016. *China Daily* reported that AWS is now looking to [expand further into China](#), which likely means deepening its ties with Beijing Sinnet.

As a listed company, Beijing Sinnet — which is valued at about \$4.5 billion — has attracted investments from global fund managers and China's National Social Security Fund. Still, Mr. Geng, the founder, is the company's largest shareholder, holding more than \$1 billion in Sinnet stock. See a detailed overview below.





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COVER STORY



Pole Position

BY EYCK FREYMANN

In public, Chinese diplomats and climate negotiators deny that they see any link between climate change and geopolitics. But there is a deeply cynical consensus within China's academic and policy communities that climate change creates geopolitical opportunities that China can exploit — and must exploit before its rivals do. Greenland was the proof of concept for this strategy. And it caught the U.S. flat-footed.

THE BIG PICTURE



Transsion's Triumph

BY GARRETT O'BRIEN

A look at Transsion's monumental growth, unique marketing strategies and future growth potential.

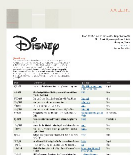
Q & A



Jörg Wuttke on China's Self-Destruction

BY ANDREW PEAPLE

The EU Chamber of Commerce in China president talks about China's self-inflicted problems; how he gets away with being so outspoken; and why he believes in China's comeback gene.



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