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China vs US: A Divided over Metaverse Design and Rules

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Avatars, playing games, buying digital assets, socializing, [the metaverse](#) – US envisions so many big tech of the future of the Internet. And Chinese tech companies are piling in too. Here let's take a closer look at the divided over metaverse design and rules between US and China.

Key Difference: the Regulation of Metaverse Presence

Their versions of avatars and virtual worlds look pretty similar, but because of China's strict regulations, players in the two countries are set to have very different experiences.

Analysts estimate the [metaverse industry](#) could be worth as much as \$8 trillion in each country, but it's still early days for both Chinese and American tech firms.

The visual effects seen in promo videos for a metaverse platform being built by Chinese tech giant, Baidu, are still pretty pixelated and Legolike, quite a ways off the smooth immersive world some have in mind. Similarly, Facebook's parent company, Meta's avatars are still legless, and not particularly realistic in the early version of its VR platform, Horizon Worlds, which lets people build custom environments to hang out or play games in, and is already available in the US and Canada.

Both Meta and Baidu have said an official launch for their respective platforms will take another five to 10 years. Microsoft in the US and Tencent in China, which both own a number of videogaming properties are also gearing up to develop their own virtual worlds.

But for companies in China, the transition to the metaverse is expected to be a little more complicated. The Chinese companies are subject to more regulations than in the US.

Winston Ma is the author of China's Mobile Economy, and managing partner at New York-based CloudTree Ventures, which invests in metaverse-related tech, like 3D video recording. Companies are taking a more cautious approach, because of regulatory considerations.

That's a big difference between the US and China. Compared to China, companies in the US generally have more leeway from regulators, and people in the industry say that gives metaverse developers more free reign in terms of innovation, meaning China's rules are expected to affect the user experience, in other words, these two avatars won't necessarily be able to see, say, and do the same things. I really think it's going to be a night and day between Chinese metaverses and the Western metaverses.

Serkan Toto is a gaming industry consultant, he says, video games offer a window into what the metaverse will be like. And in China, games have to go through a rigorous approval process by authorities before they can be released. He pointed to a violent first-person shooter game. In the version of the game available to play in China, the blood is green instead of red, because of Beijing's content regulations that restrict gore and violence.

Rules in China also limit how long the country's hundreds of millions of kids under 18 can game, as regulators have said they want to prevent user addiction. These rules and regulations that are already in place are going to be transferred over to the metaverse. There's no motivation for the Chinese government to soften their stance just because a game is embedded inside the metaverse. Chinese officials have already indicated that some strict rules will apply to the metaverse, and established a subcommittee that, according to policy experts, aims to create specific standards for these virtual worlds.

Those authorities didn't respond to requests for comment. And state media was quick to tamp down the hype after a recent rally of Chinese metaverse-related stocks, warning society not to get too wrapped up in metaverse speculation.



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Different Crypto Regulation

Chinese regulators are also extremely cautious about digital payment systems, which are already how people buy things in metaverse-like platforms available in the US, such as Roblox, [Sandbox](#), or [Decentraland](#). In the US, lots of metaverse plays involve in-game crypto tokens and [NFTs](#), but in China, [cryptocurrencies](#) are strictly regulated. Last year, the Chinese government declared cryptocurrency transactions illegal, saying it was concerned that crypto's decentralized anonymous transactions could give way to fraud and money laundering.

Authorities have instead promoted the use of a central bank-issued virtual yuan. So, buying art or digital concert tickets with crypto isn't possible in China, and that could contribute to further insulating China's own metaverse platforms.

Huge War Between These Metaverse

At the moment, at least, if companies like Tencent are building metaverses, there's not going to be any kind of tokens in them. These companies are challenged now to come up with alternatives that the Chinese government is going to tolerate.

In this context, analysts say metaverses, like Baidu's, probably won't face direct competition from Meta or Microsoft in the Chinese market, which, when it comes to the internet, is already separate from the rest of the world. Facebook and Google, for example, don't operate in China, because of strict censorship.

Microsoft and Meta didn't respond to requests for comment on their metaverse plans for China. The future of the Chinese metaverses will be a reflection of the Chinese internet today. There's really going to be a huge war between these metaverse.