

Chinese antitrust review №25

August 6, 2021

QUOTATION

The upcoming SAMR conference will be an important event - it will help showcase China's success in antitrust reform, development and openness in order to create a better, more equitable and smarter system of global economic governance, as well as to achieve broader and deeper openness covering more areas..

Official SAMR representative¹

TABLE OF CONTENT

- **Countdown: 100 days left until VII BRICS ICC**
- **Online recommendation algorithms goes under a tightened inspection**
- **Game industry called a “spiritual opium”**
- **WeChat brought back registration function**
- **SAMR to enforce control over companies’ debt**
- **Alibaba became a developer for the Olympics cloud platform**
- **Digital platform fined for advertorial algorithms (2018)**
- **America stopped accepting new Chinese applications for IPO**
- **Platforms are forced to comply with the “Data security” laws**
- **A more strict antitrust regulation could enhance the overall market competition**
- **TikTok’s competitor left the US market**

¹ Source: <https://mp.weixin.qq.com/s/3ZbAXHUvzEK-7SMzZT2HXQ>

Countdown: 100 days left until VII BRICS ICC

As of August 1, it is just 100 days away from the 7th BRICS International Competition Conference. The event will be held in Chengdu, Sichuan province (China) on November 9-10, 2021 under the slogan “Openness. Competition. Development”. It is jointly organized by the General Directorate of Market Regulation of China with the support of the People's Government of Chengdu.

Source: http://www.samr.gov.cn/xw/zj/202107/t20210730_333230.html

Online recommendation algorithms goes under a tightened inspection

The Ministry of Propaganda of the PRC, which oversees all books, films and games produced in China, has published Guidelines for Strengthening the Evaluation of Culture and Art in the New Era. The document will limit the role of algorithms in the distribution of media content, which in turn could hold back the growth of Internet giants such as ByteDance and Tencent. The opinions stated that China “will strengthen research and guidance on the network algorithms, launch a comprehensive campaign to streamline recommendation algorithms, and will not provide channels for the dissemination of inappropriate content”. In addition, it is also planned to launch a campaign to suppress illegal media activities and publications of “fake news” via online platforms and social media.

Source:

http://www.gov.cn/xinwen/2021-08/02/content_5629062.htm

<https://baijiahao.baidu.com/s?id=1707234665625301942&wfr=spider&for=pc>

Game industry called a “spiritual opium”

Tencent shares fell more than 10% after pro-government Economic Information Daily called the game industry a “spiritual opium” and a “digital drug” that traumatizes Chinese teens, and cited Tencent Holdings, China's largest video game operator, as the main source of the problem. The article was later removed and published with more lenient wording, but the signal for the coming wave of regulation, which could cover the game industry, was nevertheless noticed by the general public. Tencent reacted immediately, promising to set a limit on playtime for teens and a complete ban on access for children under 12.

Source:

<https://baijiahao.baidu.com/s?id=1707115730936951562&wfr=spider&for=pc>

https://share.api.weibo.cn/share/240921558.html?weibo_id=4666111930925305

WeChat brought back registration function

On August 4, WeChat - one of the most commonly used apps among Chinese users - reinstated the new user registration function. Earlier on July 27, the social network temporarily stopped registering new accounts due to “current technical updates: registration is scheduled to resume by early August.” The developers have taken such measures for the first time in their history - this may be due to the increased pressure from the authorities on tech sector.

Source: <https://www.163.com/dy/article/GGL2LE840511B8LM.html>

SAMR to enforce control over companies' debt

SAMR updated its legislation on credit rating for industries such as food, medicine and special purpose equipment, which are sectors that directly affect the daily life, health and safety of the population. Particularly, an economic entity may be included in the list of “low trust” enterprises if it: deliberately violated intellectual property rights, disclosed a trade secret, carried out unfair competition, filed a non-standard patent application, was engaged in illegal activities related to patents and trademarks, etc.

Source: http://www.samr.gov.cn/xw/zj/202108/t20210801_333259.html

Alibaba became a developer for the Olympics cloud platform

During the pandemic breakout, the request for online broadcasts has acquired an unprecedented relevance. The Olympic Broadcasting Service (OBS) has partnered with Alibaba Cloud to launch the OBS Cloud, an innovative platform that provides remote content delivery services to broadcasters in formats that meet the technological requirements of the world's most diverse media. Providers are focusing on formatting content for social networks and mobile platforms. Thus, 17 official broadcasters and 4 news agencies have subscribed to the Content + function service, which produces short clips for posts on social networks and other video hostings.

Source: <https://www.scmp.com/native/tech/topics/tokyo-2020-showcases-digital-future/article/3144032/cloud-technology-brings>

Digital platform fined for advertorial algorithms (2018)

SAMR posted on its official website the investigation files of the 2018 case: digital company N collected personal data by means of cloud computing and used it for targeted online advertising without the users' consent. An independent assessment found that its pop-up ads had a display rate of 100%, despite the fact that sites visited by users prohibited the display of such ads. From January to May 2018, N received 4.6 million yuan in profits using these advertorial tools. The Hangzhou Municipal Regulator imposed a fine of 1.5 million yuan (\approx 215 thousand US dollars) from the company, as its actions influenced the choice of users and prevented other companies from offering their goods and services.

Source: http://www.samr.gov.cn/jjj/fbzdjz/202108/t20210802_333274.html

America stopped accepting new Chinese applications for IPO

According to the US Securities and Exchange Commission, Chinese companies will be prohibited from raising funds in the United States until they provide comprehensive materials on their legal structure and reveal the risks regarding Chinese government interference in their business. In response, the China Securities Regulatory Committee noted that the regulators of both countries need to improve interaction over the supervision of shares of Chinese companies and work out joint solutions in a spirit of mutual respect and for the sake of beneficial cooperation..

Source:

<https://www.reuters.com/business/finance/exclusive-us-regulator-freezes-chinese-company-ipo-over-risk-disclosures-2021-07-30/>
<http://russian.people.com.cn/n3/2021/0802/c31516-9878970.html>

Platforms are forced to comply with the “Data security” laws

On July 28, the seminar on compliance of digital entities with the Data Security Law was held on behalf of the Ministry of Industry and Informatization of the PRC. 12 major tech companies including Alibaba, Meituan, Xiaomi, JD.com, Bytedance, Weibo, Baidu and Ant Group participated in the event. The setting up of a data management working committee was announced. The committee will conduct trainings on data security, and will also set up a complaints mechanism. Representatives of the companies, in turn, presented their understanding of the law “On data security” and shared their experience and methods of creating mechanisms for managing such security, technical tools and measures to ensure security, as well as voiced their proposals.

Source:

https://www.miit.gov.cn/jgsj/waj/gzdt/art/2021/art_0799d45b17f247efbd9b4cc711ddf896.html

A more strict antitrust regulation could enhance the overall market competition

According to S&P Global Ratings’ latest presentation the Chinese government’s tightened regulation of M&A, listings overseas and antitrust practices in the tech industry could increase competition among Chinese Internet companies. While enforcement campaigns pose a risk to the digital sector, they can also create opportunities for additional investment as companies strive for organic growth. “With regard to Chinese Internet companies, the authorities seem to be striving to find a balance between considerations of security and social stability on the one hand and growth and innovation on the other,” the presentation said.

Source: <https://www.scmp.com/business/article/3143598/antitrust-crackdown-chinas-tech-sector-could-lead-greater-competition-sp>

TikTok’s competitor left the US market

The developer of Kuaishou, a popular Chinese short video app, has announced that it has removed its Zynn app from the App Store. Such a move can be interpreted as recognition of TikTok’s leadership in the United States and the inability to compete. Zynn hit the market earlier in May last year and has reached the top of the US App Store for a while thanks to its cash and bonus coupon policies.

Source: <https://www.scmp.com/tech/big-tech/article/3143800/kuaishou-pulls-its-video-app-us-after-failing-make-dent-tiktoks>