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Chinese antitrust.

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QUOTES

By its very nature, capital seeks profit: if it is not regulated and limited, it can cause inestimable harm to the economy and society.

Chinese President Xi Jinping at a meeting of the Politburo of the CPC Central Committee on April 29th ¹

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¹ Source: https://www.sohu.com/a/542730249_465270

Xi Jinping on capital

At a meeting of the Politburo of the CPC Central Committee on April 29th, Chinese President Xi Jinping emphasized the importance of capital for economic development. "At the current stage, there are a variety of forms of capital in China: public, collective, private, foreign, mixed..." he said and noted that it is necessary to study the positive and negative experience of dealing with capital in order to increase the role of all types of capital in developing productive capacity, improving the welfare of society and promoting people's prosperity. At the same time, "it is necessary to understand that, by its nature, capital seeks profit: if it is not regulated and limited, it can cause inestimable harm to the economy and society."

The meeting has already become a landmark, since the instruction expressed at it to "normalize" the regulation of the platform economy was perceived by many as a signal for the end of the harsh persecution of Chinese digital giants. Following the Politburo, the Central Bank of China also called for "normalized" supervision: it pledged to help digital platforms complete the elimination of violations in their financial activities as soon as possible.

Sources:

https://www.sohu.com/a/542730249_465270

<https://www.caixinglobal.com/2022-05-05/chinas-central-bank-vows-normalized-supervision-of-tech-sector-101880293.html>

Bloomberg: China plans summit meeting with private companies

Next week, China's People's Political Consultative Council (the highest advisory body, CPPCC) plans to meet with China's largest private sector companies (including Baidu, for example) next week, according to Bloomberg. Representatives of the Chinese Cyberspace Administration are expected to attend, as well as the personal presence of Vice Premier Liu He, who is in charge of economic affairs. The session will focus on the development of the digital economy in China, but investors' attention will be focused on signals for deregulation of the technology industry.

Source:

<https://www.bloomberg.com/news/articles/2022-05-12/china-to-convene-private-sector-giants-as-markets-mull-crackdown>

PC NPC to Consider Amendments to AGM in June

Amendments to the PRC Anti-Monopoly Law (AML) appear in the published legislative work plan of the Standing Committee of the National People's Congress - the country's highest legislative body will continue to discuss the amendments in June. The development of the amendments began in 2019 and was carried out by the Main State Administration for Market Regulation. In early 2020, the department released them for public consultation, and the first round of formal discussion of the NPC PC took place last October. During the year, the Committee also plans to consider draft amendments to the law "On Combating Unfair Competition" and accelerate legislative work in areas such as the digital economy, Internet finance, artificial intelligence, big data and cloud computing.

Sources:

<http://www.npc.gov.cn/npc/c30834/202205/40310d18f30042d98e004c7a1916c16f.shtml>

<https://mp.weixin.qq.com/s/iikxa3V5YjipWCO0eTwQxQ>

Antitrust investigation against CNKI

On May 13th, SAMR announced the launch of an investigation against China's largest database of scientific articles, China National Knowledge Infrastructure (CNKI).

The agency called its decision an important step in the "normalized" regulation of the platform economy, which Chinese President Xi Jinping called for in late April. "CNKI is a classic digital platform," says a feature article on SAMR's WeChat account, and an investigation against it will send a clear message to the market, increase the platforms' compliance awareness, encourage them to engage in "high-level" competition with disruptive technologies and innovative models.

Earlier, the Chinese Academy of Sciences canceled the CNKI subscription due to "million dollar subscription prices" and "harsh" renewal conditions. The resource is often called a monopolist and is accused of abusing its position. In response to open requests from users, the main resource operator Tsinghua Tongfang has already stated that CNKI is revising its approaches and exploring ways to optimize the business model.

Sources:

https://www.samr.gov.cn/xw/zj/202205/t20220513_344850.html

<https://mp.weixin.qq.com/s/istYjjun9mdIHxINXhfHAA>

<https://mp.weixin.qq.com/s/vt5m5wu6d9yY5xyOITiQw>

BRICS Uses Big Data to Achieve Sustainable Development Goals

The future cooperation of the Chinese Academy of Sciences with similar structures of other member countries was announced at the BRICS Forum on Big Data for Sustainable Development. At the opening ceremony of the forum, Vice-President of the Academy Zhang Yaping said that the purpose of the event is to create a platform for the exchange of knowledge and experience in achieving the UN sustainable development goals between scientists, engineers and legislators of the BRICS countries. He noted the importance of developing scientific and technological tools to overcome global challenges: from food security to fighting the pandemic. At the same time, it is important to use big data and other information technologies that will help the authorities make smarter, more accurate and efficient decisions.

Source: <http://www.chinadaily.com.cn/a/202204/28/WS6269eeb7a310fd2b29e59d2b.html>

SEC is investigating DiDi

The company made the announcement in its 2021 report. "After our US IPO, the US Securities and Exchange Commission contacted us and requested listing materials. We are cooperating with the investigation," the report says. DiDi noted that it is unable to predict the timing, outcome or consequences of this investigation. The service also commented on scrutiny by Chinese regulators that began a few days after the IPO in July 2021: "We have no information on whether the ban on downloading our mobile applications will be lifted and, if so, when. We also cannot calculate what impact this will ultimately have on our financial and operating performance."

According to SCMP, DiDi has already urged shareholders to support the delisting from the US exchange in the upcoming vote, saying it is necessary to meet the demands of the Chinese authorities. In filings with the SEC, company founder Will Cheng said that if DiDi does not withdraw from the exchange to permanently correct all violations, this will "have a measurable negative impact on the company's ability to conduct business as usual."

Sources:

<https://ir.didiglobal.com/financials/annual-reports/default.aspx>

<https://www.scmp.com/tech/big-tech/article/3177425/didi-asks-shareholders-approve-delisting-new-york-satisfy-beijing>

Underage users and live broadcasts

In order to protect users under the age of 18 from excessive Internet addiction and protect their physical and mental health, a number of departments, including the China Cyberspace Administration, have published Opinions on the regulation of live broadcasts and voluntary donations. The document prohibits minors from sending donations to streamers (purchases of gifts, online payments, etc.) and conducting live broadcasts (for persons under 16). Platforms are required to optimize "youth modes" that filter content and restrict some features, create dedicated service departments to handle complaints and resolve disputes relating to minors, and strengthen regulation during peak periods of user activity (from 20:00 to 22:00) and force termination of services after 22:00 for users with active "teenage mode".

Source: http://www.nrta.gov.cn/art/2022/5/7/art_113_60309.html

Bloomberg: China bans government and state-owned companies from using foreign PCs

According to Bloomberg, Chinese authorities have ordered central governments and state-owned corporations to switch entirely from foreign PCs to Chinese-made PCs running Chinese software within two years. The purpose of the innovation is to reduce to zero the use of foreign technologies in the activities of key departments and companies. Presumably, at least 50 million PCs will be subject to replacement at the central government level alone. In the Chinese media, it is given with reference to Bloomberg or unnamed foreign publications.

Source: <https://www.bloomberg.com/news/articles/2022-05-06/china-orders-government-state-firms-to-dump-foreign-pcs>

Draft Guidelines for Investigating Price Gouging Published

Public consultations on the draft Guiding opinions on the investigation of violations related to unjustified price gouging will last from May 11th to 18th. The draft clarifies what actions can be considered "falsification and dissemination of information about price increases, which leads to a violation of the price order in the market" (for example, disseminating information about the intention of individual suppliers to increase prices), describes situations of continued unreasonable stockpiling after a SAMR warning (for example, if it is unreasonably done by operators of a link in the production chain or turnover) and lists other actions that encourage prices to increase too much or too quickly (for example, a significant increase in logistics costs or other indirect charges).

Sources:

https://www.samr.gov.cn/hd/zjdc/202205/t20220511_344818.html

<https://mp.weixin.qq.com/s/EHhLiEySdWVJ5EvU93j9-A>

Alibaba encourages its employees amid difficult economic situation

Alibaba CEO Daniel Zhang delivered an encouraging message to the company's employees and their families at the annual Ali Day. "Keep calm. Both the international situation and the challenges associated with the pandemic bring a lot of uncertainty today, but - as a whole - we continue to develop," he said. According to him, Alibaba is sensitive to the "pulse of society" and is closely related to socio-economic development. Now both the company and the entire Internet industry are in the process of regulated development, and Alibaba will make its contribution, guided by societal needs. Zhang also confirmed that the company's three main strategic areas are still relevant - consumption, cloud computing and globalization.

Source: <https://xw.qq.com/amphtml/20220510A0AG7M00>

JPMorgan mistakenly labels Chinese internet companies 'unsuitable for investment'

In March, research reports from JPMorgan Chase & Co. called 28 Chinese Internet companies "unsuitable for investment" (uninvestable). Then, too sharp a characteristic was replaced by "unattractive" (unattractive), but still remained in some reports. For example, about the JD.Com Inc. marketplace, states: "As risk management becomes the most important factor in global investors' strategy for China, and geopolitical risks are priced in, we consider the Chinese Internet unsuitable for investment over a six to twelve month period."

After investigating the incident, JPMorgan concluded that there had been an editorial error because the entire team, including analysts and observers, considered the wording to be incorrect even before publication. Chinese Internet companies do cause some concern among experts, but the expectation that at least ten of them will gain in share price by the end of the year does not make the entire sector completely unsuitable for investment.

Source: <https://www.bloomberg.com/news/articles/2022-05-10/jpmorgan-s-uninvestable-call-on-china-was-published-in-error>

Metaverse Industry Committee established

The Special Committee was established by the China Computing Industry Association to "take advantage of the digital economy race track" and encourage the healthy and regulated development of the metaverse. Its tasks will include developing industry standards and plans, hosting international conferences on metaverse issues, creating thematic metaverses and expanding their scope, and promoting popularization. At the establishment ceremony of the committee, its executive chairman Luo Jun noted the importance of integrating the metaverses into traditional industries and using digitalization projects actively implemented by the government for this.

According to the calculations of the committee experts, in value terms, the production volume in the Chinese metaverse industry (gaming sector, VR, AR, etc.) already exceeds 3 billion yuan, and over the next five years, this market will overcome the barrier of 20 billion.

Sources:

<http://www.nbd.com.cn/articles/2022-05-11/2275327.html>

<https://view.inews.qq.com/a/20220512A084CF00>

New measures to support MSMEs

At a meeting of the State Council of the People's Republic of China, Chinese Premier Li Keqiang said that micro, small and medium-sized enterprises play a key role in the country's economic development and employment, and in the current environment, they need additional support. The measures will include tax refunds, tax rebates and fee cuts, deferrals on social security payments, and help to keep logistics and business operations running smoothly so that such companies can continue to operate at full capacity. As financial support, the largest state-owned banks are expected to increase lending to micro and small businesses by ≈245 billion US dollars this year. It is also required to cancel interest on late payments.

Source: <https://english.news.cn/20220506/ddb61d3213994f8e87ba8d62030ac16c/c.html>

JD.com threatens to be delisted from US exchange

Another 88 Chinese companies have been added to the list of candidates for delisting from the New York Stock Exchange under the Holding Foreign Companies Accountable Act, including one of China's largest marketplaces, JD.com. Representatives of the site have already issued a response statement: "The company is actively exploring ways to solve the problem. We will continue to comply with the applicable laws of China and the United States, and will continue to maintain our presence on the NASDAQ and the Hong Kong Stock Exchange to the best of our ability." In total, 128 Chinese companies are already facing the threat of delisting.

In addition, according to Reuters (not confirmed by official Chinese sources), the technology division of the marketplace - JD Technology - will have to postpone the planned listing in Hong Kong, since the Chinese regulator has not yet given its consent.

Sources:

<https://baijiahao.baidu.com/s?id=1731969974440550989&wfr=spider&for=pc>

<https://www.reuters.com/markets/us/china-scrutiny-stymies-jdcom-fintech-units-2-blh-hong-kong-ipo-sources-2022-05-12/>

Beijing stops registration of learning apps for preschoolers

The Beijing Municipal Committee for Education announced that it is no longer accepting applications for registration of new mobile applications for online preschool education, and will also revoke the licenses of existing ones. The committee also announced that no educational apps should provide a platform for unapproved organizations or offer features that encourage laziness or impede students' ability to think for themselves, such as the ability to search for answers online from a photo assignment. It is also prohibited to publish "undesirable" information, place advertisements or link to games.

Source: https://www.sohu.com/a/545549880_105067

Five-year plan for the development of "bioeconomics"

The China Development and Reform Committee has released a 2021-2025 "bioeconomy" development plan. The document serves the requirements of the 14th Five-Year Plan for the integration of bio- and information technologies, accelerating the development of biomedicine, biological selection, biomaterials, bioenergy and other industries. The key driving force will be the model of protection and use of biological resources, as well as the deep integration of medicine, health care, agriculture and forestry, energy, environmental protection, etc.

Source: <https://www.ecns.cn/news/economy/2022-05-10/detail-ihayhruk0764386.shtml>