



October 21st, 2022

Chinese antitrust.

Review #34 (2022)

QUOTES

The China Semiconductor Association objects to the US Department of Commerce's use of such peremptory measures that crush international trade. We are deeply concerned that America is citing national security to impose discriminatory trade policies: such unilateral measures are not only capable of further damaging global semiconductor supply chains. More importantly, they will create an atmosphere of insecurity in the industry and have a tremendous negative impact on the relationship of mutual trust and friendly cooperation that has been forged for decades by the joint efforts of workers in this field around the world.

China Semiconductor Association Statement in Response to US Export Restrictions

¹

EVENTS

- "China will remain a popular destination for investment"
- SAMR appoints first antitrust director
- US restricts high-tech exports to China
- SAMR Conducted "Exercises" to Response to Incidents in the Online Trading Sector
- The number of market entities in China grew by 100 million in 10 years
- SAMR Chief on Historic Regulatory Successes
- Fight on rumours continues
- Meituan is preparing an international site
- Prosecutors and court on the importance of antitrust lawsuits
- Alipay is testing the function of money transfers to friends in WeChat
- TikTok enters the e-commerce market

¹ Source: <https://www.yicai.com/news/101560199.html>

"China will remain a popular destination for investment"

This was stated by the official representative of the 20th Congress of the Communist Party of China, Sun Yeli, on the eve of the opening. "Restraining the erratic expansion of capital and promoting the healthy development of China's non-state economy should not be viewed as contradictory aspects," he said at a press conference. Sun Yeli also emphasized that China is a country where capital - public and private, Chinese and foreign - is protected by law. It is important to continually improve an internationalized business environment that operates on the basis of market principles and the rule of law.

Confirming the trend towards openness, the China Securities Regulatory Commission announced that it is developing two short-term trading systems for foreign investors at once to make it easier for them to invest in the Class A stock market. The measure will help ensure equal regulation of Chinese and foreign investments.

Sources:

<http://russian.people.com.cn/n3/2022/1016/c31521-10159113.html>

<https://www.globaltimes.cn/page/202210/1277245.shtml>

SAMR appoints first antitrust director

Xu Xinjian took over the newly created position - along with the post of head of the legal regulation department. Previously, he was in charge of the similar department of the State General Administration for Quality Control, Inspection and Quarantine, and later of the Accreditation and Regulation of Testing and Inspection Department of SAMR. The functions of the antimonopoly director are not specified. At the level following the senior management (the head of the market regulator, his deputies and heads of subdivisions), three control and supervisory positions are allocated in the SAMR structure - the chief engineer, the director of food safety and the antimonopoly director. Commissioner of the National Anti-Monopoly Bureau, Ms. Gan Lin, maintains her position and continues to lead the 1st and 2nd anti-monopoly departments, as well as the competition policy coordination department.

Sources:

<https://www.samr.gov.cn/jg/gcszj/xxj/>

https://m.sohu.com/a/592683125_121123678

US restricts high-tech exports to China

Certain categories of semiconductors and equipment for the production of chips fell under the new regulation. The US Department of Commerce also added 31 Chinese manufacturers to the "unverified" list, thereby limiting their ability to purchase technology from abroad. Whereas previously the sanctions only applied to equipment used for military purposes, the new measures could affect a wide range of industries that use supercomputing and AI. Restrictions have affected not only goods, but also human potential: US equipment companies must prohibit their US employees from providing services to Chinese customers - reportedly under threat of deprivation of citizenship. However, it is envisaged to obtain licenses for export to China. Annual permits have already been received, for example, by the Taiwanese company TSMC (more than 50% of the world market), as well as South Korean manufacturers Samsung and SK Hynix.

According to the South China Morning Post, the Biden administration is currently considering new measures that will limit China's access to the most powerful computer technology. The ban may affect quantum computing and artificial intelligence software.

Sources :

<https://www.bloomberg.com/news/articles/2022-10-10/-no-possibility-of-reconciliation-as-us-chip-rules-slam-china?leadSource=verify%20wall>

<https://www.cnbc.com/2022/10/13/biden-chip-curb-asml-stops-us-staff-from-servicing-customers-in-china.html>

<https://www.scmp.com/tech/policy/article/3196729/us-weighs-more-china-tech-restrictions-targeting-quantum-computing-and-artificial-intelligence>

SAMR Conducted "Exercises" to Response to Incidents in the Online Trading Sector

The event was organized by SAMR's Internet Oversight Department. It was attended by the office, advocacy department and the center of competition policy and big data of the market department, as well as representatives of major platforms, including Alibaba, JD.com, Pinduoduo, etc. The organizers simulated various violations - for example, restriction or prohibition of sales - and invited companies to simulate all stages of the response process: from identifying and analyzing an incident to polling public opinion. The regulator expressed the hope that the platforms will strengthen compliance, improve risk prevention mechanisms, improve the ability to assess and resolve incidents, and actively cooperate with government agencies.

Source: https://www.samr.gov.cn/xw/zj/202210/t20221013_350719.html

The number of market entities in China grew by 100 million in 10 years

According to SAMR statistics, over the past ten years (the period of Xi Jinping's presidency), the number of market entities in China has grown from 55 million to 163 million. Of these, the number of enterprises has increased from 13 million to 51 million, which is equal to the total number of companies in the United States. and EU. At the same time, the number and capacity of private companies have also doubled - they regularly make it to the list of the 500 largest enterprises in the world. Following the development of the economy, companies of the "economy of four innovations" are continuously established, i.e. working with the use of new technologies, in new formats and new industries, according to new business models - today their number reaches 23 million, i.e. 46% of the total number of enterprises.

Source: https://www.samr.gov.cn/xw/mtjj/202210/t20221011_350655.html

SAMR Chief on Historic Regulatory Successes

As the head of the Chinese market regulator, Lo Wen, noted in a long interview, China is gradually improving the uniform market rules. The "Opinions on Strengthening Antitrust [Measures] and Deeper Promotion of Fair Competition Policies" adopted last August formed China's first competition policy framework at the highest level. Amendments were made to the Antimonopoly Law and the Law "On Combating Unfair Competition", accompanying legislative documents and industry guidelines appeared. China has achieved notable success in the fight against industry and market monopoly: since 2018, 554 antitrust cases, 2,696 applications for economic concentration transactions and 46,000 cases of unfair competition have been considered.

Source: https://www.samr.gov.cn/xw/mtjj/202210/t20221011_350656.html

Fight on rumours continues

After dealing with inaccurate posts about the aftermath of the Sichuan earthquake, China's Cyberspace Administration continued to fight rumors about the coronavirus, other emergencies and public topics. The agency reported on 2800 deleted accounts on various Internet sites - Douyin, Weibo, Tencent, Kuaishou, Baidu, Bilibili, Xiaohongshu, Zhihu, Douban, etc. The regulator also maintains a special website where it officially refutes the most common fakes: by now it has already been published more than 3300 posts with denials.

Sources:

https://m.thepaper.cn/baijiahao_20190811

<https://www.scmp.com/tech/policy/article/3195047/chinas-internet-watchdog-vows-another-crackdown-against-covid-19>

Meituan is preparing an international site

Currently, China's largest food delivery service Meituan, which also provides a range of other services, including travel booking, ticket purchase, joint shopping, etc., is preparing to enter overseas markets. The company has already set the task for the specialists of the international and technical departments to prepare a multilingual (English, Spanish, Arabic, etc.) platform. Before officially going overseas, Meituan will test-run food delivery services in Hong Kong, which is a special administrative zone and does not belong to mainland China. Which region will be next is still in the process of discussion, but the company stressed that it would like to choose a relatively familiar market for itself.

The South China Morning Post attributes the move to a decline in consumption in China. It also reports that two companies dominate the market in Hong Kong: Foodpanda and Deliveroo with market shares of 64% and 36% respectively.

Sources:

<https://mp.weixin.qq.com/s/layvx6GcrD09s0tOqpMV3Q>

<https://www.scmp.com/tech/big-tech/article/3195463/meituan-plans-take-foodpanda-and-deliveroo-hong-kong-amid-slower>

Prosecutors and court on the importance of antitrust lawsuits

Reporting on the work done, the People's Supreme Procuratorate of the People's Republic of China said that it actively considers anti-monopoly lawsuits to protect the public interest, and also attaches great importance to the Internet sector and other areas that affect people's welfare. Due to this, the viability of the market increases, a fair and orderly competitive environment is formed.

At the same time, the Supreme People's Court confirmed its activity in relation to cases of intellectual property rights and competition. At a press conference at the media center of the 20th Congress of the Communist Party of China, a spokeswoman for the Chinese Communist Party said that the court is working to strengthen judicial protection of intellectual property rights. "Since 2013, 2.738 million IP rights cases have been handled at first instance, with an average annual growth of 24.5%," the statement said. "We, in accordance with the established procedure, consider cases of coercion to exclusive cooperation, price discrimination of old customers compared to new ones on e-commerce sites; we constantly strengthen the protection of the rights and interests of consumers and workers participating in new forms of employment; we promote the regulated and healthy development of the digital and platform economies."

Sources:

<https://mp.weixin.qq.com/s/vOdVXxh2BAFxbkrZ0niJ1g>

<https://mp.weixin.qq.com/s/nlbKQ8bL9oBbKveu1W2xtQ>

Alipay is testing the function of money transfers to friends in WeChat

The move may signal progress in pairing two competing systems, Alibaba's Alipay and Tencent's WeChat Pay. At the moment, direct transfers between systems are not available, despite calls from the Chinese authorities to ensure interoperability between platforms. However, pairing has not yet been implemented: using the new feature, Alipay users only generate a QR code and share it on WeChat with the recipient, who must still use the Alipay application to deposit funds. It is believed that when a technical solution is found, consumers will be able to pay for their purchases on the Taobao marketplace through WeChat Pay - this option is currently not available.

Sources:

<https://www.caixinglobal.com/2022-10-19/alipay-tests-new-feature-to-ease-money-transfers-to-wechat-friends-101953227.html>

<https://www.scmp.com/tech/big-tech/article/3196220/alipay-test-money-transfers-wechat-seen-first-breach-mobile-payments>

TikTok enters the e-commerce market

The short video platform has posted more than 300 ecommerce jobs on LinkedIn, including recommendation engineers, product managers, and product managers. "We believe TikTok is the perfect platform for our users to have a unique, enhanced online shopping experience," the individual job postings said. "We are looking for enthusiastic and talented individuals to join the US e-commerce team." The launch in the US market is scheduled for the end of the year, and in Brazil - in the first half of 2023.

Source:

<https://www.scmp.com/tech/big-tech/article/3196353/tiktok-expand-e-commerce-us-and-brazil-search-new-revenue-despite-political-scrutiny-washington>