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What Does Beijing Achieve from Regulating Its Big Tech?

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On April 10, China's antitrust regulator slapped Alibaba with a record fine of [\\$2.8 billion](#) for exclusionary business practices. Since then, other Chinese tech firms have fallen in line by [vowing](#) to comply with government regulation. Meanwhile, Ant Group, an affiliate of Alibaba, is facing pressure from Chinese financial regulators to revamp its business structure in a way that may cut its valuation by [two-thirds](#).

These enforcement actions were all launched shortly after Jack Ma's controversial speech criticizing Chinese financial regulation last October. Many have therefore speculated that political motivations underlie China's crackdown on Big Tech. While Ma's speech may have been the [tipping point](#), there have been long-standing economic, social, and industrial policy issues that merit the government's action. In fact, I believe Beijing's recent efforts to strengthen antitrust regulation in the tech sector could facilitate a larger goal of the Chinese government: to become a technology

superpower and achieve self-sufficiency, ending reliance on the West.

In pursuing this goal, China's approach to antitrust law offers it a distinct competitive advantage, particularly compared with the United States, which is also grappling with how to handle tech giants. Even though efforts to rein in companies such as Google and Facebook have gathered momentum, the US government has significantly less leverage than China when it comes to antitrust law. Indeed, any US enforcement actions against Big Tech face uphill battles in US courts, while legislative changes take years to enact.

China shares some of the same concerns as the US over increasing market concentration in the tech sector. Moreover, the enormous commercial success of Chinese online tech businesses such as Alibaba and Tencent have resulted in a high concentration of wealth. China is now home to [878](#) billionaires, the highest number in the world. Ant Group's initial public offering, had it proceeded as planned, would have created at least [18](#) additional billionaires.

However, Chinese big tech companies do not thrive because they develop innovative technologies. Rather, they build smart apps that make it easier for consumers to connect with merchants. Even though China has emerged at the forefront of e-commerce and digital payment, Chinese Big Tech still owes its success, to a large extent, to China's vast consumer market.

This ferocious competition between Chinese tech firms trying to grab larger shares of the Chinese consumer market has led to many

social problems. By setting tight delivery times, the algorithms of Chinese online delivery apps encourage their drivers to speed dangerously, resulting in more traffic accidents. [The recent deaths of two young employees at Pinduoduo](#), a rising Chinese e-retailer and formidable competitor to Alibaba, have sparked a heated debate about the culture of overworking at Chinese tech firms.

What's more, despite their sophisticated software development capabilities, companies such as Tencent and Alibaba have yet to develop foundational technologies. China's fragility in technological innovation was clearly exposed during the Sino-American trade war. The operations of national champions such as ZTE and Huawei could be easily interrupted if the US government withheld the supply of key components such as semiconductors.

China's weakness in technological innovation explains Beijing's recent emphasis on achieving technological self-reliance and its desire to push Chinese tech giants in this direction. Since China is the only country apart from the US to have internet giants, these tech firms are in a good position to develop digital technologies for the country. In some ways, Chinese tech giants have responded to the government's call. Tencent has promised [to invest \\$70 billion](#) in new digital infrastructure. In 2019, Alibaba [unveiled its first chip](#) to power artificial intelligence. Baidu is betting heavily on driverless cars.

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But Beijing wants more. Its intentions were clearly revealed in a recent [editorial](#) by the *People's Daily*, a Communist Party

mouthpiece, which chided tech firms for investing in the "community group-buying" market. The commentator instead urged Chinese internet giants to forge ahead with higher ambitions, such as advancing technological innovations to clear China's bottleneck in the intensive Sino-American rivalry, rather than focusing on selling cabbages.

Antitrust enforcement gives Beijing significant regulatory leverage to push its tech firms in this direction. Antitrust law grants the central government strong sanctioning powers, allowing it to impose anything from astronomical monetary fines to severe structural remedies. The Chinese antitrust regulator also possesses vast administrative discretion while being subject to little judicial oversight. In theory, companies could challenge regulatory decisions in court, but in practice they often seek to mitigate punishment by [cooperating](#) with the government. Furthermore, Chinese antitrust law enforcement is spearheaded by a [central ministry](#) that follows the central government's directives carefully.

As Chinese tech giants have amassed significant market power, they have become vulnerable to antitrust regulatory attacks. And just as US and EU regulators are tightening their antitrust scrutiny over Big Tech, the Chinese antitrust authority also has perfectly [legitimate](#) reasons to do so. The regulatory vulnerability of Chinese Big Tech, in turn, facilitates the companies' cooperation with Beijing to help the latter achieve its goals, be it in antitrust or other industrial policy matters. Thus, Chinese Big Tech can and does align its business development strategies with the government's industrial policy as a form of self-protection.

Indeed, the Chinese government views antitrust law as a powerful [multipurpose](#) tool not only for tackling monopolies, but also for achieving a wide variety of policy objectives, such as maintaining price stability, industrial planning, and [trade and foreign policy](#). Thus, the [absence](#) of checks and balances in Chinese antitrust enforcement, supposedly an institutional weakness, could actually be a strength for Beijing as it pushes tech giants and the country toward achieving technological self-sufficiency.

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